Budget Committee's analysis shows that in my State of Colorado, the State requires cities to pay 9.4 percent. I recall that in Louisiana, the cities have to pay .2 percent.

For example, a plan might require the State to pick up a greater percentage of welfare costs. It undoubtedly would involve such things as deferral of the capital expenditures.

If this were done, it would be entirely appropriate for the Federal Government to guarantee, for a limited period of time, trustee certificates—which would really be bonds of the City of New York—in a limited amount to cover the overage of expenses and income in the interim period that we are getting the city on its feet.

I think I see hopeful signs that we are groping in this direction. I noticed in the paper this morning that the distinguished Senator from Illinois (Mr. STEVENSON) had a plan for restructuring debt. I do not know what the plan is. I certainly hope it is under the umbrella of the court, and I hope it involves amendment of the Bankruptcy Act.

I notice that the distinguished Congressman from New York (Mr. BADILLO) has a plan for amending chapter 9 of the Bankruptcy Act, and I notice that the President of the United States will be on television tomorrow night talking on the same subject. I hope that we do not give blessings to improvident management, and at the same time, we do not let 10 million people suffer because they had improvident management and, in my view, somewhat negligent financial institutions which were working with that management.

I yield the floor.

Mr. ALLEN. It seems to me that the suggestion of the distinguished Senator from Colorado contains much more merit than the guarantee of $6 billion worth of bonds. The plan suggested by him—that is, amendment of the bankruptcy law—would permit New York City to go into voluntary bankruptcy, working toward cutting down on the tremendous overhead of the city, cutting down on, possibly, the principal amount of bonds, cutting down on the interest rate, cutting down on some services, possibly the free university, free hospitals—things of that sort. Is that what the Senator has in mind?

Mr. HASKELL. Yes. I hate to pick out specifics. We notice, for example, that the city of New York—I forget the housing project it went into, but it went into a vast housing project that has fallen into bankruptcy. I prefer not to spell out the details of the plan.

We do notice, for example, that some of the salaries paid in the city of New York far exceed those of any other place.

Mr. ALLEN. The Senator is not suggesting any guarantee prior to bankruptcy, is he?

Mr. HASKELL. That is correct. My view is that to guarantee $6 billion of outstanding interest indebtedness, incurred, as I said, by improvident management and negligent financial institutions—and I stress negligent financial institutions, because had they been prudent, they would have given us early warning signals—would be a dreadful national mistake.

I also want to say I think it would be a terrible thing for us to sit by and have essential services stopped.

Mr. ALLEN. The Senator would permit so-called default by New York City, then?

Mr. HASKELL. That would be the triggering mechanism to get the whole reorganization going, yes.

Mr. ALLEN. I thank the distinguished Senator.

Mr. HASKELL. I yield the floor.

Mr. GRIFFIN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

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

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

ORDER FOR RECOGNITION OF SENATOR HARRY F. BYRD, JR., TOMORROW

Mr. GRIFFIN. Mr. President, I ask unanimous consent that, following the other special orders which have already been scheduled or tomorrow, Senator HARRY F. BYRD, JR., be recognized for 15 minutes.

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

ADJOURNMENT

Mr. GRIFFIN. Mr. Presidentfi if there be no further business to come before the Senate, with the authority of the distinguished majority whip, I move that the Senate stand in adjournment, in accordance with the previous order.

The motion was agreed to; and at 4:41 p.m., the Senate adjourned until Wednesday, October 29, 1975, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate October 28, 1975:

UNITED STATES NEGOTIATOR ON TEXTILE MATTERS

Michael B. Smith, of Massachusetts, U.S. Negotiator on Textile Matters, for the rank of Minister.

DEPARTMENT OF LABOR

Ronald J. James, of Illinois, to be Administrator of the Wage and Hour Division, Department of Labor, vice Betty Southard Murphy.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

David W. Oberlin, of Virginia, to be Administrator of the Saint Lawrence Seaway Development Corporation for a term of 7 years (reappointment).

NATIONAL LABOR RELATIONS BOARD

Peter D. Walther, of Pennsylvania, to be a member of the National Labor Relations Board for the term of 5 years expiring August 27, 1980, vice Ralph E. Kennedy, resigned.

HARRY S TRUMAN SCHOLARSHIP FOUNDATION

The following-named persons to be members of the board of trustees of the Harry S Truman Scholarship Foundation for the terms indicated (new positions):

For a term of 2 years:

Jonathan Moore, of Massachusetts.

John W. Snyder, of the District of Columbia.

For a term of 4 years:

Walter E. Craig, of Arizona.

Elliott D. Marshall, of Virginia.

For a term of 6 years:

Christopher S. Bond, of Missouri.

Margaret Truman Daniel, of the District of Columbia.

John Portner Humes, of New York.

Richard A. King, of Missouri.

CONFIRMATIONS

Executive nominations confirmed by the Senate October 28, 1975:

DEPARTMENT OF STATE

The following-named Foreign Service officers for promotion from class 1 to the class of Career Minister:

Theodore L. Eliot, Jr., of California.

Arthur A. Hartman, of New Jersey.

Deane R. Hinton, of Illinois.

William E. Schaufele, Jr., of Ohio.

Richard L. Sneider, of New York.

Helmut Sonnenfeldt, of Maryland.

Wells Stabler, of the District of Columbia.

Viron P. Vaky, of Texas.

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

IN THE AIR FORCE

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

To be lieutenant general

Major General Alton D. Slay, xxx-xx-xxxx xxx-... R (major general, Regular Air Force), U.S. Air Force.

HOUSE OF REPRESENTATIVES—*Tuesday, October 28, 1975*

The House met at 12 o'clock noon.

Rev. Joseph F. Sefl, former national commander of the Czechoslovak Legion of Americans, pastor emeritus of Jan Hus Presbyterian Church of New York City, offered the following prayer:

Our Divine Father, who carest for Thy children of every race and nation, we acknowledge Thee to be the Lord of all beings as we proclaim "In God We Trust." Humbly we pray that Thy forgiving love cleanse and set us free, and guide all mankind into the way of peace.

We thank Thee for sending men of vision, dedication, and integrity to establish our country upon the ideals of liberty, justice, and brotherhood. We rejoice that Thou hast enabled us to aid others in their endeavor to form governments upon such ideals. Today we remember one of those nations, Czechoslovakia, whose founders, aided by our people, established a republic 57 years ago under the motto: "The Lord's Truth

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Prevails." Evil forces have prevented this and other nations from realizing their ideals. With all people who are yearning for a new day of liberty, we sincerely pray:

"God of Grace and God of Glory
Grant us wisdom, grant us courage
For the facing of this hour."

In the name of Jesus. 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. Sparrow, one of its clerks, announced that the Senate had passed a bill of the following title, in which the concurrence of the House is requested:

S. 2310. An act to provide authority to institute emergency measures to minimize the adverse effects of natural gas shortages, to provide authority to allocate propane, to regulate commerce to assure increased supplies of natural gas at reasonable prices for consumers, and for other purposes.

ANNOUNCEMENT BY THE SPEAKER

The SPEAKER. The Chair would like to make a brief announcement prior to recognizing other Members for unanimous-consent requests.

The Chair has stated in the past and desires to reiterate at this time that all legislative requests, including requests that committees be allowed to sit while the House is operating under the 5-minute rule, should be made at one of the microphones on the floor so that all Members will be on notice as to the nature of the request. The Chair often has difficulty hearing such requests when they are made in the well, and feels that it is essential that they be made in a manner that permits them to be clearly understood by all Members on the floor.

CZECHOSLOVAKIA: REAFFIRMING THE STRUGGLE FOR FREEDOM

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

Mr. KOCH. Mr. Speaker, Vitam Vás, Přátele Svóbody—

"Welcome, Friends of Freedom." It is my very great pleasure to participate in the 57th anniversary of the founding of the Czechoslovak Republic by Thomas Masaryk. It is an honor to have here today Rev. Joseph Sefl, former national commander of the American Czechoslovak Legion and pastor emeritus of the Jan Hus Church.

Today is a day of reaffirmation. Czechoslovakia represents the bitter and enduring struggle between democracy and totalitarianism. The struggle is a difficult one, to be sure, but Czechoslovakia, since its founding in 1918, has given an example to the world by striving valiantly against the forces determined to destroy her freedom. Indeed, it is one of the greatest tragedies of the 20th century that Europe abandoned the Czechoslovak people when Czechoslovakia was ready to defend itself against the terror and fury of Nazi Germany. Europe, and in fact all of us, suffered greatly because of it. Equally as tragic is the smothering of the democratic spirit in 1948, and again in 1968, by the Soviet Union. Despite these betrayals, the love of freedom still burns fiercely in the hearts of Czechoslovaks all around the world.

The Czechoslovak Republic was born of the ashes of the Austro-Hungarian Empire and in the spirit of the principle of self-determination proclaimed by President Woodrow Wilson. The establishment of the Republic required the skill and courage of the great leaders of independence, President Thomas Masaryk, Milan Stefanik, and Dr. Eduard Benes, and thousands of Czechs and Slovaks who banded together at the end of World War I to fight for independence.

I feel a special kinship to the cause of Czechoslovak freedom. The congressional district which I represent has very strong ties to that cause. The Masaryk family, the pillar of Czechoslovak freedom, visited my district many times, and Thomas Masaryk, and later, Jan Masaryk, spoke at the Jan Hus Church. Today we commemorate the Day of Independence. We also honor you who have kept the fire of freedom burning fircely. Právda Vitézi—"Truth will prevail."

Mr. Speaker, I regret to announce that Congressman ANNUNZIO was hospitalized and could not be with us today. He planned on making a statement at this time. Regrettably the statement will have to be inserted into the RECORD instead of being made personally. All of us I know, wish him a speedy recovery.

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

Mr. KOCH. I yield to my colleague from New York.

Mr. GILMAN. Mr. Speaker, I rise today to join the gentleman from New York (Mr. KOCH) in welcoming Rev. Joseph Sefl of Warwick, N.Y., to our Chambers.

We are indeed honored by the presence of this Czechoslovakian-American in the House, and I thank my distinguished colleague from New York, Mr. KOCH for extending an invitation to Reverend Sefl to lead us in prayer.

Although residing in my congressional district, Reverend Sefl is pastor emeritus of the Jan-Hus Presbyterian Church in New York City. The invocation by Reverend Sefl is of particular importance today as we observe the 57th anniversary of the founding of the Czechoslovak Republic.

Reverend Sefl, former national commander of the American Czechoslovak Legion and who during his years in his mother country hosted both Thomas Masaryk and Jan Masaryk, reminds our House and the Nation today of Czechoslovakia's long, enduring struggle for freedom and for justice.

In commemorating Czechoslovakia's Day of Independence, let us bear in mind that the spark of liberty still glows brightly in the hearts of freedom-loving Czechs throughout the world.

REV. JOSEPH F. SEFL

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

Mr. MORGAN. Mr. Speaker, I consider it an honor and a privilege to join my colleagues in welcoming Rev. Joseph Sefl, the pastor emeritus of the famous Jan Hus Church of New York, as he opened this session of the House with a timely prayer. Besides being one of the outstanding religious and spiritual leaders of his people, Reverend Sefl is the commander of the Czechoslovak Legion of America, an organization of former servicemen which heeded the call of Prof. Thomas Masaryk during World War I to fight for the liberation of their former homeland Czechoslovakia.

Among those volunteers, I am proud to state, was a large contingency of patriotic men from my own congressional district, who left their homes and families to join the Czechoslovak Legion and to dedicate themselves to the victory of the allied cause, based on the famous declaration of 14 points enunciated by Woodrow Wilson.

I am glad that we are dedicating these few moments during today's deliberation of the House to pay tribute again to these fundamental principles of justice and equality under law. On this day we commemorate the 57th anniversary of the birth of the Czechoslovak Republic, which for the first 20 years of its existence rightfully earned itself the reputation of "Yankees of Europe" and which never swerved from its belief in the democratic way of life. It was only through foreign invasions and interventions that these proud people of Central Europe lost their freedom, but never their hope that some day the time will come when again justice will prevail, when again they will be able to pursue the kind of life they earnestly desire, and again they will take their rightful place in the family of free nations of the world.

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

Mr. MORGAN. I yield to the distinguished Speaker.

Mr. ALBERT. Mr. Speaker, I desire to join with the gentleman from Pennsylvania (Mr. MORGAN), and others, who have spoken on this subject.

Mr. Speaker, today we celebrate the 57th anniversary of the establishment of the Independent Republic of Czechoslovakia. The history of the changing map of Europe conveys some of the turmoil and struggle for freedom characteristic of these brave and freedom-loving peoples.

Prior to World War I, the people of Czechoslovakia were under the domination of the powerful Austro-Hungarian Empire. Upon the conclusion of World War I, three factors contributed to the independence of this landlocked nation in the heartland of Europe.

In the first place, the Austro-Hungarian Empire had been an ally of the principal enemy—Imperial Germany. The interests of the subject people, striving for freedom, coalesced with the objectives of the winning Allied Powers, in-

cluding the United States. One of these principal objectives was to break up and decentralize the Central Powers of Europe.

Second, the cornerstone of President Woodrow Wilson's 14 points called for the self-determination of nations. Self-determination meant an appeal to freedom, independence, and democratic institutions. The potential successor states in this ramshackle and chaotic Austro-Hungarian Empire, chief among them what was to become Czechoslovakia, were inspired to action partly by Wilson's principles but most basically by their drive for freedom and self-determination.

Finally, the Czechoslovaks were fortunate to have as their most prominent spokesmen, Thomas G. Masaryk, Milan R. Stefanik, and Dr. Eduard Benes. These and other inspired Slovak leaders saw the destiny of their people best coming to fruition in a united Czechoslovakia.

Their National Council won recognition as Czechoslovakia's legitimate representative from the Allied Powers in 1918. Independence having been won and proclaimed, the Czechoslovakian people set about creating an independent Republic with Thomas Masaryk as their first president.

To begin to comprehend the history of these brave people over the next half century, one has only to look at the map of Europe. Czechoslovakia is completely landlocked. It is bordered by Germany on the west, Austria and Hungary on the south, Russian on the east, and Poland to the north. An early victim of Germany's conquest in 1938 and 1939, a government-in-exile with Dr. Benes as its head, was formed in England. Czechoslovakians fought bravely in World War II to restore their nation's independence.

However, their hopes were shattered by the Communist coup in Czechoslovakia in February of 1948. For nearly two decades Czechoslovakian independence has been submerged but the combination of a freedom-loving people and rising Slovak nationalism, gives new hope.

Under the post-1968 leadership of Alexander Dubcek there have been attempts to modify the socialism of Marx with the humanism of Masaryk and the basic Slovakian nationalism.

This past August I had the privilege of heading a 19-member congressional delegation on an official visit to the Soviet Union, Romania, and Yugoslavia. Unfortunately, we were not able to visit Czechoslovakia or several additional Eastern European countries. But in talking with our parliamentary counterparts, especially in Romania and Yugoslavia, we became increasingly aware how much these countries' leaders had learned from the Czechoslovakian experiences of 1948 and 1968.

For many still living in Czechoslovakia, as well as the many loyal Americans of Slovakian descent, the continuing struggle for basic freedoms in their homeland must continue to cloud.

During this celebration, today, of Czechoslovakian Independence Day, one can only hope that under the emerging détente between our country and the Soviet Union, the liberty and welfare of the people of Czechoslovakia will improve. Perhaps the time is not too distant when all or nearly all external influences on these brave people will be removed. Then, and only then, will the Czechoslovakian people truly be able to celebrate their independence.

THE 57TH ANNIVERSARY OF CZECHOSLOVAKIAN INDEPENDENCE DAY

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

Mr. GAYDOS. Mr. Speaker, it is an honor for me to join Rev. Joseph Sefl, our visiting Czechoslovak-American organizations, and 17,000 Czechoslovakian descendants in my district, for today's important tribute to the 57th anniversary of Czechoslovakia's Independence Day.

Three million American children and grandchildren of Czechoslovakian heritage are marking October 28, 1918, as an inspiring day of liberation. For them, this memory and celebration of independence has special significance.

In terms of history, it represents the successful attainment of self-determination for a people who had endured centuries of suppression. In terms of the future, this day represents the hope of all frustrated peoples whose national independence has been submerged.

Today's celebration is an opportunity for all of us in the free world to renew our faith in the philosophy that no country should be forced to live in the shadow of another power.

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

Mr. GAYDOS. I yield to the distinguished minority leader.

Mr. RHODES. Mr. Speaker, I join my colleagues in extending a welcome to the Reverend Joseph Sefl of Warwick, N.Y., and appreciation for his inspiring message delivered to the House.

Throughout the greater part of this century, Czechoslovakia has become known to the world as a symbol of the struggle for freedom. From the time of its founding as a republic 57 years ago, Czechs have fought and bled in the cause of freedom.

What we commemorate today is not the anniversary of a free nation. We honor the spirit and the determination of Czechs everywhere that keep the hope and desire for a free Czechoslovakia alive in the hearts of its countrymen, wherever they may be in the world.

Reverend Sefl's message to the House is a timely reminder of the sacrifices undergone by the Czech people. It should be a reminder to all of us that the price of liberty is constant vigilance, unending effort and dedication to the principles that sustain a republic.

Mr. GAYDOS. Mr. Speaker, I thank the minority leader for his remarks.

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

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

Mr. DELANEY. Mr. Speaker, I join in the remarks of my colleagues.

Mr. Speaker, we were indeed honored to have Reverend Sefl, former National Commander of the Czech Legion, lead us in our opening prayer this morning. My own district in Queens is home to many Americans of Czechoslovakian descent and nearby Bohemian Hall and Park in Astoria has a long and illustrious history of contributions to our local community.

It was over 57 years ago that Reverend Sefl's forebear, Thomas Masaryk, attended the May 30 meeting of American Czechs and Slovaks which authored the Pittsburg statement. They called for the political union of their native Bohemia, Moravia, Slovakia, and Ruthenia. It was 57 years ago today that the Prague National Committee passed its first law—proclaiming the independence of the Czechoslovak state.

They took this great step with the support and encouragement of President Woodrow Wilson and his 14 points—especially his appeal for self-determination—for freedom, independence, and democracy.

That spark of liberty which flamed in 1918, which defied Nazis tyranny in 1938 and 1939 and Soviet tyranny in 1948, courageously burst forth in August 1968 and still smolders within the heart of this great Nation.

I join my fellow Americans in saluting her today—At zije Svobodné Československo a jeho Lid."

Mr. GAYDOS. Mr. Speaker, I thank the gentleman from New York (Mr. DELANEY) for his remarks.

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

Mr. GAYDOS. I yield to the gentleman from Illinois.

Mr. DERWINSKI. Mr. Speaker, I am pleased to join the other Members of the House who are making special mention today of the 57th anniversary of the independence of Czechoslovakia.

The Americans of Czech and Slovak descent and Czechs and Slovaks in other parts of the Free World commemorate this Independence Day with mixed feelings. It is the day on which their nation achieved its long-desired goal of independence at the close of World War I, yet they face the present-day situation in which they find the people of Czechoslovakia under the control of a Communist dictatorship.

It is especially appropriate to point out that the present Government of Czechoslovakia is in power as a direct result of the intervention by the Soviet Union and troops of other Eastern European Communist countries which occupied Czechoslovakia in 1968 to terminate what the Soviets feared was a liberalization and pro-Western direction of the Dubcek Government.

But on this day throughout the free world, people who are proud of their Czech and Slovak heritage and of the great progress that their country achieved before falling prey to the expansionism of Nazi Germany and later of the Soviet Union properly commemorate this historic Czechoslovak Independence Day. There are numerous organizations in the United States working hard to maintain the spirit and traditions of the people of Czechoslovakia. Foremost among them are the Czechoslovak Na-

tional Council of America, the American Sokols and other national and regional organizations throughout the country.

EXTENDING AUTHORITY FOR DIRECT PURCHASE OF U.S. OBLIGATIONS BY FEDERAL RESERVE BANKS

Mr. PATMAN. Mr. Speaker, I ask unanimous consent for the immediate consideration of the Senate joint resolution (S.J. Res. 134) to extend the authority for the direct purchase of U.S. obligations by Federal Reserve banks.

The Clerk read the title of the Senate joint resolution.

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

Mr. ROUSSELOT. Mr. Speaker, reserving the right to object, will the gentleman explain to us the extent of this authority and what it means?

Mr. PATMAN. Yes, Mr. Speaker; I will.

If the gentleman will yield, I will make the following statement:

Mr. Speaker, I hope there will be no objection to this legislation because it is needed by the Treasury Department for debt management purposes. It is used almost exclusively for very short-term purchases to tide the Treasury over in periods just before large tax collections. It saves the Treasury from going into the market for unnecessary borrowings and thus save the taxpayers interest.

The Domestic Monetary Policy Subcommittee of which I am chairman conducted hearings on this legislation last Thursday and heard from Fiscal Assistant Secretary of the Treasury, David Mosso, and Federal Reserve Board Governor Phillip E. Coldwell. The subcommittee is in support of the action today.

Let me remind the Members that the present authority for the Federal Reserve to purchase these securities from the Treasury on a direct basis expires at midnight Friday. So it is essential that we get this resolution signed this week. It passed the Senate last Thursday.

Mr. ROUSSELOT. Mr. Speaker, further reserving the right to object, will the gentleman tell us what the disposition in the marketplace would be if the Treasury were not permitted to allow the Federal Reserve to engage in this temporary purchase of securities?

Mr. PATMAN. Mr. Speaker, if the gentleman will yield further, of course they would have to use other methods, and that would be an inconvenience and it would handicap the Treasury particularly where it is in the short term. These authorities are used at taxpaying times when the Treasury gets into a bind now and then. It is used only in the case of an emergency such as that; it is not used extensively. It is only used in the short term and for that purpose.

Mr. ROUSSELOT. Mr. Speaker, further reserving the right to object, can the gentleman tell us to the best of his knowledge if this short-term authority has ever been abused or misused in the past?

Mr. PATMAN. Mr. Speaker, I am glad the gentleman asked that question.

This law was passed to the best of my recollection about 42 years ago. It has served a good purpose. There has never been any charge of misuse or abuse of any kind, and it is used only sparingly and only during taxpaying times.

Mr. ROUSSELOT. Mr. Speaker, is there a limitation in the legislation before us that the Senate has sent over that restricts it for certain periods of time?

Mr. PATMAN. Well, it is limited to $5 billion, so that does not mean much in the Government financing. It is a very small amount in comparison.

Mr. ROUSSELOT. Mr. Speaker, still reserving the right to object, to the best of the gentleman's knowledge, then, the short-term periods have never been misused, even though the authority, as the gentleman says, goes to $5 billion?

Mr. PATMAN. Yes.

Mr. ROUSSELOT. It has, to the best of the gentleman's knowledge and understanding, never been misused by the Treasury or the Federal Reserve?

Mr. PATMAN. It has never been misused at any time by the Treasury.

Mr. ROUSSELOT. I appreciate the gentleman's comments.

Mr. Speaker, I withdraw my reservation of objection.

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

There was no objection.

The Clerk read the Senate joint resolution as follows:

S.J. RES 134

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That section 14 (b) of the Federal Reserve Act is amended—

(1) by striking out "November 1, 1975" and inserting in lieu thereof "November 1, 1976"; and

(2) by striking out "October 31, 1975" and inserting in lieu thereof "October 31, 1976".

The Senate joint resolution 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.

YONKERS, N.Y., IN JEOPARDY OF DEFAULT UNLESS CONGRESS ACTS ON NEW YORK CITY

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

Mr. OTTINGER. Mr. Speaker, on the front page of the New York Times today we learn that the city of Yonkers, which lies in my congressional district and that of the gentleman from New York, Mr. PETER PEYSER, is threatened with default.

The city of Yonkers is the fourth largest city in New York State. The Times reports it will not be able to purchase $16 million in tax anticipation notes which it will require within the next month in order to pay its routine bills.

Mr. Speaker, I think that this is just one example of what is going to happen all over the country. If we do not come to the aid of New York City and make sure that New York City does not go into default, one municipality after the other all over the country is going to find itself in this kind of jeopardy.

We have already had other examples within New York State. The city of Buffalo had difficulty floating notes. A very small community in Westchester County, N.Y., one of the best and highest financially rated communities, the little town of Newcastle, had to pay 10.7 percent to be able to float its notes.

Mr. Speaker, it is absolutely critical that we take action on New York City or no municipality throughout this country is going to be able to finance the improvements and services which it requires in order to be able to serve its people.

Yonkers is a city of 200,000 people. There will be very real hardship there if it goes into default. The cost of coming to the aid of municipalities throughout the county will far outshadow the no-cost effort to assure that New York City is not allowed to default.

My colleague from New York (Mr. PEYSER) and I plan to testify this afternoon before the Banking and Currency Committee with respect to the serious consequences to Yonkers and other cities should we fail to act to protect New York.

REQUEST FOR PERMISSION FOR COMMITTEE ON JUDICIARY AND ITS SUBCOMMITTEES TO SIT DURING WEEK OF OCTOBER 28, 1975, DURING 5-MINUTE RULE

Mr. HUGHES. Mr. Speaker, I ask unanimous consent that the Committee on the Judiciary and any of its subcommittees be permitted to sit while the House is reading for amendment under the 5-minute rule during the week of October 28, 1975.

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

Mr. BAUMAN. Mr. Speaker, I object.

Mr. ROUSSELOT. Mr. Speaker, I object.

The SPEAKER. Objection is heard.

JOHN J. ROONEY, MEMBER OF CONGRESS

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

Mr. DELANEY. Mr. Speaker, it is my sad duty to announce that John Rooney, my dear friend and colleague, and a U.S. Representative for 30 years, passed away here in Washington on Sunday night.

My association with John long predated our service in Congress. At the time he was assistant district attorney in Kings County, N.Y., in 1940, I was serving in the same capacity in the adjoining county of Queens. Since crime knew no bounds, many were the nights we worked late hours together on difficult cases.

John had an incredible ability to get to the bottom of things. He was second to none in digging up the facts and centering in on the truth. Today his record stands as a model for investigators and prosecutors in the criminal courts of New York.

John arrived in Congress in 1944 where his hard work and dedication became an inspiration to members of both sides of the aisle. As a ranking member of the Appropriations Committee, and chairman of its subcommittee that dealt with the funding requests of the Departments of State, Justice, Commerce, and the Federal Judiciary, John Rooney was a true champion of the taxpayers' interests. Is it incredible that in one 10-year period he cut more than $1 billion of extraneous funds from budgets under his supervision and that his attention to detail and personal integrity resulted in over 98 percent of his recommendations being approved by Congress. None of his bills were ever vetoed by any of the seven Presidents under whom he served.

As dean of our New York congressional delegation, he was especially close to the problems and concerns of our own city and State and to the members of our delegation.

I speak from the bottom of my heart when I say that we will miss John Rooney, our colleague, our neighbor, and our good friend. I extend my deepest personal sympathies to his wife, Catherine, and the rest of his family.

May he rest in peace and may we long remember his outstanding example of dedication in the public service.

OFFICE OF THE DOORKEEPER,
U.S. HOUSE OF REPRESENTATIVES,
Washington, D.C.

MEMORANDUM—DEATH OF JOHN J. ROONEY, FORMER MEMBER OF CONGRESS, 14TH DISTRICT, STATE OF NEW YORK

John J. Rooney passed away on Sunday, October 26th, 1975, at Georgetown University Hospital, in Washington, D.C.

There will be a viewing in Washington at Gawler's Funeral Home, 5130 Wisconsin Avenue, N.W., on Tuesday, October 28th, from 3 to 5 and 7 to 9 PM.

Further calling hours will be in Brooklyn, New York, at Guido's Funeral Home, 440 Clinton Street, on Wednesday from 2 to 5 and 7 to 10 PM, followed by interment on Thursday, October 30 in Holy Cross Cemetery, Brooklyn.

The Funeral mass will be said at the Church of Sts. Peter and Paul, Brooklyn, at 11 AM.

MRS. ESTHER SAVITZKY

Mr. Speaker, it is also my sad duty to announce the passing of the mother of Congresswoman BELLA ABZUG. Mrs. Savitzky died on Sunday evening, October 26, at Roosevelt Hospital in New York City after a long battle with cancer.

Services are being held today at Riverside Memorial Chapel and I am sure that all my colleagues join with me in extending our deepest sympathy to the Congresswoman and all the members of her family.

HANDGUNS HAVE CAUSED MANY ACCIDENTS

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

Mr. GUDE. Mr. Speaker, the Russians are a people steeped in fine tradition. They have set examples in the arts, literature, and science. They have also set an example for mindless courage with their parlor game of Russian Roulette. A 17 year old Virginia youth followed their example last week and is now displaying his own brand of mindless courage: he is dead.

His death was an accident—as much as an accident can be when one jokingly aims a handgun at one's head and willingly pulls the trigger. It was an accident that could have been prevented. It was an accident out of ignorance. Ignorance on the part of the gun owner for allowing the gun to be available for parlor games. Ignorance on the part of the youth for not having the knowledge to disarm the weapon before handling it, and Congress shares in these firearm tragedies for not having the courage to enact an effective handgun control law.

Accidents in the home are a large part of all handgun deaths. We should consider that laws designed to curb deaths by handguns should also address home accidents. I proposed to the Judiciary Committee that trigger locks be sold with all handguns. Like safety belts, trigger locks would be effective only if used, but by making them universally available, some lives would be saved. It is also appropriate that all persons who own handguns should pass a short course in the proper care and handling of firearms. The analogy to driver education is obvious.

Above all, if the Congress does not take the position that handguns are dangerous and must be regulated in a way to reduce their danger to society, then what else should citizens conclude but that they are appropriate toys for such games as Russian Roulette?

FISCAL IRRESPONSIBILITY IN NEW YORK CITY

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

Mr. BAUMAN. Mr. Speaker, I had not intended to take this time until I heard my colleague, the gentleman from New York, Mr. OTTINGER refer to the financial difficulties of the city of Yonkers, N.Y. He contends this is a byproduct of the problems in New York City.

I hope we will not have too many of these scare tactics in support of aid for New York City because, quite frankly, they are misguided.

The State of Maryland last week was able to sell a large amount of its public bonds at less than 6-percent interest—and I repeat that, Mr. Speaker, at less than 6 percent—because the State of Maryland has a constitutional requirement that we balance our budget each year and that we pay our own way. We have done this a great many years and it does inspire investor confidence. Although the Governor of the State of Maryland does not happen to be of my political affiliation, I have to salute him for his record of fiscal integrity. Fiscal integrity is something that would bear looking into by those who are crying for more aid for New York City. And I would suggest that those same persons read the report that I obtained from the Office of Economic Opportunity entitled "Federal Outlays in New York City." It sets forth the most recently published figures for fiscal year 1974 showing that the Federal Government spent $8½ billion in New York City in 1974. That is for just one recent fiscal year. For fiscal year 1975 I am sure it was even higher than that. This should be an effective answer to those who demand even more Federal aid for New York City. If $8½ billion in 1 year is not enough to support New York, what is?

MEETING OF COMMITTEES DURING 5-MINUTE RULE

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

Mr. JOHN L. BURTON. Mr. Speaker, first of all, I shall not even try to get into the New York situation, but that is a subject of concern in other large areas also. In California we also have a balanced budget and we have trouble with our bonds. But, regardless of that, I would like to take this time to address a question to my colleague, the gentleman from California (Mr. ROUSSELOT).

Is it the intention of the gentleman from California that every time a committee wants to meet while the House is in session to object?

Mr. ROUSSELOT. Mr. Speaker, if the gentleman will yield, that is my intention during the 5-minute rule on any bill, while we are in session to object to committees sitting while amendments are being offered. The Members need to be here on the floor. The purpose of that rule of the House during the 5-minute rule is that the Members would be able to be here so as to pay attention to the amendments. I think that this is proper. I certainly will object during the morning period, but the request that I objected to was for a whole week and I believe that the Members should be here during debate of important amendments. We have a lot of important legislation before the Congress so it is my intention to object within the rule, to such requests.

Mr. JOHN L. BURTON. I am generally in agreement with the gentleman.

CALL OF THE HOUSE

Mr. HAYS of Ohio. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. RUSSO. 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. 641]

Abzug	Carney	English
Addabbo	Cleveland	Esch
Andrews, N.C.	Conlan	Eshleman
Annunzio	Conyers	Fary
Ashley	de la Garza	Flowers
Beard, Tenn.	Dellums	Ford, Mich.
Bingham	Diggs	Ford, Tenn.
Breaux	Dingell	Fraser
Brinkley	Drinan	Giaimo
Brown, Ohio	Duncan, Oreg.	Ginn
Burke, Fla.	Duncan, Tenn.	Gonzalez

Goodling	McKinney	Sebelius
Green	Milford	Sisk
Haley	Miller, Calif.	Solarz
Hébert	Mink	Stratton
Hefner	Moakley	Sullivan
Jarman	Murphy, N.Y.	Symington
Jones, Ala.	Nedzi	Udall
Kelly	Patten, N.J.	Vanik
Ketchum	Rees	Vigorito
Leggett	Rhodes	Whalen
Lent	Roncalio	Wiggins
Litton	Sarasin	Wirth
Lujan	Scheuer	

The SPEAKER. On this rollcall 362 Members have recorded their presence by electronic device, a quorum.

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

RIGHT TO REPRESENTATION DURING QUESTIONING

Mr. WHITE. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 6227) to amend title 5, United States Code, to provide Federal employees under investigation for misconduct the right to representation during questioning regarding such misconduct.

The SPEAKER. The question is on the motion offered by the gentleman from Texas (Mr. WHITE).

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 6227 with Ms. JORDAN in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the committee rose on Monday, September 22, 1975, all time for general debate on the bill had expired.

The Clerk will read.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) chapter 71 of title 5, United States Code, is amended by adding at the end thereof the following new subchapter:

"SUBCHAPTER III—EMPLOYEE RIGHTS

"§ 7171. Right to representation during questioning

"(a) Any employee of an Executive agency under investigation for misconduct which could lead to suspension, removal, or reduction in rank or pay of such employee shall not be required to answer questions relating to the misconduct under investigation unless—

"(1) the employee is advised in writing of—

"(A) the fact that such employee is under investigation for misconduct,

"(B) the specific nature of such alleged misconduct, and

"(C) the rights such employee has under paragraph (2) of this subsection, and

"(2) the employee has been provided reasonable time, not to exceed 5 working days, to obtain a representative of his choice, and is allowed to have such representative present during such questioning, if he so elects.

"(b) For the purpose of subsection (a)(2), an employee of the Central Intelligence Agency, National Security Agency, or the Federal Bureau of Investigation who is under investigation for misconduct may have a representative of his choice present during such questioning, except that such representative shall be—

"(1) an employee of the agency in which the employee who is under investigation for misconduct is employed, and

"(2) approved by the agency for access to the information involved in the investigation.

"(c) Any statement made by or evidence obtained during questioning of an employee of an Executive agency may not be used as evidence in the course of any action for suspension, removal, or reduction in rank or pay subsequently taken against the employee, unless the requirements of paragraphs (1) and (2) of subsection (a) of this section were complied with during such questioning.

"§ 7172. Right to appeal

"(a) Except as provided under subsection (b) of this section, an employee of an Executive agency against whom any action is taken for suspension, removal, or reduction in rank or pay in violation of section 7171 of this title, and who is not otherwise entitled to appeal such action to the Civil Service Commission, is entitled to appeal such action to the Commission if the employee submits the appeal in writing within a reasonable time after receipt of notice of such action. Under regulations prescribed by the Commission, the employee is entitled to appear personally or through a representative of his choice. The Commission, after investigation and consideration of the evidence submitted, shall submit its findings and recommendations to the administrative authority and shall send copies of the findings and recommendations to the appellant or his representative. The administrative authority shall take the corrective action that the Commission finally recommends.

"(b) Under such regulations as the President may prescribe, an employee of the Central Intelligence Agency, National Security Agency, or the Federal Bureau of Investigation against whom any action is taken for suspension, removal, or reduction in rank or pay in violation of section 7171 of this title is entitled to appeal such action solely to the President, or to an appropriate designee of the President, whose findings and recommendations shall be final and conclusive.

"§ 7173. Regulations

"The Civil Service Commission shall prescribe regulations necessary to carry out the purposes of this subchapter, except section 7172(b) of this title.".

(b) The analysis of chapter 71 of title 5, United States Code, is amended by adding the following at the end thereof:

"SUBCHAPTER III—EMPLOYEE RIGHTS

"Sec.

"7171. Right to representation during questioning.

"7172. Right to appeal.

"7173. Regulations.".

SEC. 2. The amendments made by the first section of this Act shall take effect on the ninetieth day beginning after the date of enactment of this Act.

Mr. WHITE (during the reading). Madam Chairman, I ask unanimous consent that the bill be considered as read, printed in the RECORD, and open to amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. BAUMAN. Madam Chairman, reserving the right to object, I do so only to ask the distinguished chairman of the subcommittee this question: Whether or not he is going to provide a refresher course on this bill for the Members of the House. As I remember, this bill and several other bills came up on Congressional Golf Day more than a month ago, September 22 be be exact.

The last time one of these bills came up it almost zipped through until a rollcall prevented its onward course and it was defeated. There was no explanation given on that bill. Even though it's a nice day outside, perhaps we can spend a few minutes discussing this particular bill.

Mr. WHITE. Madam Chairman, I thank the gentleman for asking the question. I do intend to make a short statement to refresh the Members on this particular bill.

Mr. BAUMAN. I thank the gentleman, and I withdraw my reservation of objection.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. WHITE. Madam Chairman, I move to strike the last word.

Madam Chairman, in response to the question of the gentleman from Maryland, first let me say this, to implant in the minds of the Members here, this bill does not require money from the U.S. Government and that the Members of Congress are not included in this particular bill.

This bill is designed to provide that any Federal employee who is under investigation for misconduct which would lead to suspension, removal from office or reduction in pay or rank, would have a right to representation during the time of his questioning. Presently, the law provides that an individual is entitled to representation only after formal charges are filed.

Presently, when an employee is brought in for interrogation, and often he is unprepared and unwarned. He is asked questions and sometimes he makes statements that are not exactly accurate, but with which he is stuck. He will be unable clear his misstatements. This provides him the opportunity to be questioned with representation. It does not prevent an employer or supervisor from asking the questions of the employee. It will not prevent proper management procedures to go forward.

The only restriction would be, as to the supervisor or employer, that in the event the employer fails to notify the employee that he is under investigation for an alleged misconduct, whatever evidence is elicited from that employee, is not able to be used against that employee. This does not prohibit the employer from getting adjunct evidence stemming from the employee's statement, evidence that may be gathered as a result of information acquired during that interrogation.

As the CIA and FBI, we have made a compromise which gives a particular protection to the CIA, the FBI and NSA in response to the feeling that otherwise there would be certain national security matters divulged.

Mr. LEVITAS. Madam Chairman, will the gentleman yield?

Mr. WHITE. I yield to the gentleman from Georgia.

Mr. LEVITAS. Madam Chairman, I want to make certain of what the gentleman said about the use of information that was obtained through a question, but not the question itself, but that

it could be used to lead to obtaining other information.

Mr. WHITE. Yes.

Mr. LEVITAS. The reason I want to make it clear on this point is that this would be different from the general doctrine known as the fruit of the poisonous tree. So that, unlike the general exclusionary rule, where the original inquiry, under the rules of evidence, was illegal and nothing could be used that was drawn from that, the contrary would be the case in this instance; is that correct?

Mr. WHITE. Yes. I am not familiar with the fruit of the poisonous tree doctrine the gentleman speaks of; but let me point out that there is a case on record, called the Weingarten case, in which the restriction is that if the employee in private industry has reason to believe he is under investigation that would lead to his removal, then he is entitled to representation. This language narrows it down far more. We are trying to be fair to both sides in coming to the compromise bill we have before us.

In proceeding to the intelligence agencies, if an employee is under investigation in one of these agencies, he is entitled to representation; but that representation must come from within the agency and, furthermore, the representative must be knowledgeable about the particulars matter. This is to protect the security of that information so that the interrogation is internal. And the only appeal of an individual in the employ of the intelligence service is to the President or his designee. All other employees can appeal to the Civil Service Commission. That, I think, generally summarizes the efforts on behalf of the employees to give them the type of right that is enjoyed in private industry, to allow fairness within the ranks of Federal employees, and yet not be restrictive to management in the pursuit of their supervision.

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

Madam Chairman, so that there can be no misunderstanding as to the position of the Republican members of the Post Office and Civil Service Committee on this legislation, I wish to point out that the minority views contained in the committee report speak for all nine Republican members in opposition to its enactment.

While I am not listed as one of the signers of the minority views, I was unavailable at the time the report was filed, I endorse in total the views expressed by my eight Republican colleagues.

Therefore, while the committee report states that the bill was reported by a voice vote, that does not mean, nor should it be interpreted as meaning, that this was a unanimous action by the committee.

As has already been pointed out by the gentleman from Tennessee (Mr. BEARD) during general debate on this bill on September 28, there is no demonstrable need for the legislation, and it is unamenable from our viewpoint.

I will not detail the arguments that have already been presented except to say that the rights of Federal employees who are subject to proposed adverse action are fully protected under existing law and regulation, and the enactment of this bill would create untold chaos in the Federal service.

I strongly urge that the House reject the bill.

Mr. BEARD of Tennessee. Madam Chairman, I move to strike the last word.

Madam Chairman, I will bring forth some of the things that were contained within our subcommittee and our full committee and also on the floor of the House during our last debate, to refresh the Members' memory of some of the problems.

Madam Chairman, this is a very pretty, type motherhood bill—the right to counsel. But the wording of this measure is so ambiguous and vague that it precludes, to a large extent, normal day-to-day employee-supervisor communication.

Madam Chairman, the undefined expression "under investigation" could mean just about anything. And the main point that has yet to really be answered thoroughly—and this is the thing I think we should ask ourselves and we should demand an answer to before we vote on this particular bill—is: When is an employee under investigation?

If a supervisor asks an employee why he has been repeatedly late for work or why his work performance has been lacking in the past few weeks, is this employee then under investigation? If so, then the supervisor would be required under the law to inform the employee of his right to representation.

Here is another example: What happens if a supervisor asks an employee the whereabouts of a missing typewriter and the employee replies, "I took it"? Under this bill, that information could not be used against this employee because he was not told of his right to representation.

One could go on and on and on reciting instance after instance where legislation of this nature could create total havoc with the normal supervisor-employee relationship which presently exists.

I know it may be difficult for some Members to consider voting against a bill that is labeled: "Right to counsel." However, I can assure the Members that to do otherwise is inviting unnecessary personnel problems in the Federal Government.

I will ask all the Members who have been involved in business and I will ask all the Members who have been involved in an employee relationship what it would be like with the restraints this would place on us in carrying out a supervisory responsibility if we had the fear of even asking employees any questions without any knowledge of what it could possibly lead to. We might all of a sudden find out it could lead to mass disciplinary action, and then we would realize this information we had received in testimony or prior questioning would have to be dismissed.

Madam Chairman, the different agencies, including the Civil Service Commission, the Department of Health, Education, and Welfare, the Treasury Department, the Central Intelligence Agency, the FBI, and the Tennessee Valley Authority, are all opposed to this legislation.

We have many different avenues of appeal for Federal employees at this time; there are more avenues of appeal for Federal employees than the private sector has. I cannot see any merit in the argument that Federal employees do not have the rights they deserve as employees of the Federal Government.

Mr. WHITE. Madam Chairman, will the gentleman yield?

Mr. BEARD of Tennessee. Yes, I certainly do yield to the distinguished chairman of the subcommittee.

Mr. WHITE. Madam Chairman, let us take the illustrations the gentleman used, the one involving the time question and the other one involving the stolen typewriter. In the instance of the time question, what the supervisor said to the employee and what the employee said to him as to his absence might not be used against him, but the records could be used against him and any other matters which led to further investigation could be used against him.

As to the statement regarding the typewriter, the statement that "I took it," that cannot be used against him, but there is no prohibition against other prohibition against other procedures being taken against him for taking the typewriter and using other evidence they can adduce, and they can take whatever action against him is needed.

Mr. BEARD of Tennessee. Madam Chairman, can any of us imagine the implication of that? If a supervisor asks an employee, "What happened to the typewriter?" and the employee says, "I took it," I think it is absolutely tragic that in that preliminary situation such information could not be used.

It is difficult enough in our bureaucratic system as it is to transfer, to replace, to fire, or to hire employees. We are doing nothing here but going one more step toward weakening down our whole administrative process.

The last thing this Government needs in this bureaucracy, is being further a point of resentment by the people of this country, the people who pay the salaries. We do not need laws that say that we cannot make changes.

Mr. WHITE. Madam Chairman, if the gentleman will yield further, the fact is that the gentleman has used an extreme illustration, and even in this case it protects the Government.

What we are trying to say today is that we are giving a right to employees that is very restrictive, and it is a right that has already been given to the private sector. We are giving these individuals the right to have someone there who can interpret for them.

As a matter of fact, one of the justices interpreted this situation by saying it would be a help to the employer in order to have a representative present to get to the very bottom of the matter.

Mr. BEARD of Tennessee. Madam Chairman, once again we have a situation where the judges say it would be a help to the employer, and yet we have Federal employers representing the Federal Government saying, "Please do not place another burden on us and tell us how to run our jobs. Please do not take

another right away from us that we now have in our role as supervisors."

The CHAIRMAN. The time of the gentleman from Tennessee (Mr. BEARD) has expired.

(On request of Mr. WHITE and by unanimous consent, Mr. BEARD of Tennessee was allowed to proceed for 2 additional minutes.)

Mr. WHITE. Madam Chairman, will the gentleman yield to me?

Mr. BEARD of Tennessee. Yes, I yield to the gentleman.

Mr. WHITE. Madam Chairman, I want to thank the gentleman for yielding.

I wish to quote Justice Brennan in the Winegarten case which I have cited before. This is found at 43 USLW at 4279, for the benefit of those among us who are scholars.

A knowledgeable representative (or counsel) could assist the employer by eliciting favorable facts, and save the employer production time by getting to the bottom of the incident occasioning the interview. Certainly his presence need not transform the interview into an adversary contest.

I believe that this is only equity that we are asking to extend to general employees.

The bill is a compromise which boils down to not prohibit or restrict the U.S. Government from enforcing its supervisory needs and bringing about good management practices, but it is to give that extra right, before an action is filed, to the individual to protect him in his career with respect to things that may be irretrievably lost. If he unfortunately makes a comment or a statement that is not accurate, he is hung with it.

Mr. BEARD of Tennessee. If the employees of this Government do not have the right now to see that their individual rights are protected through our grievance procedure, then I do not know what they do have.

If the Members want to vote for this, if they want to require the Federal managers and supervisors to operate on the same basis as law-enforcement officers are prescribed to do in criminal cases, then we should pass this legislation. However, I do not think that we should require supervisors or managers to operate on the same basis as law-enforcement officers.

If that is the way the Members want it, I would say vote for this legislation.

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

Mr. BEARD of Tennessee. Yes, I yield to the gentleman from California.

Mr. ROUSSELOT. Madam Chairman, I appreciate the gentleman's yielding.

Is it not true that we found out in the hearings that this bill goes far beyond the Supreme Court decision to which my colleague, the gentleman from Texas (Mr. WHITE) refers?

In fact, it was never intended by the Supreme Court decision that investigative personnel be involved in the day-to-day operation, and this bill makes a total allowance for counsel to an individual employee in the day-to-day decisions; is that not correct?

The CHAIRMAN. The time of the gentleman from Tennessee (Mr. BEARD) has again expired.

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

Madam Chairman, I rise in opposition to this legislation, primarily because it was proven, I think, beyond a doubt in committee that there is no real need for this legislation.

I would like to read for my colleagues some of the provisions under Civil Service that a Civil Service employee has and the ways he is presently protected. One:

An employee cannot be removed or suspended except for such cause as will promote the efficiency of the service;

And that must be proved. Two:

An employee is entitled to receive written notice of a proposed adverse action at least 30 days before the action is effected.

Employees in the private sector do not enjoy that kind of advance notice, and to imply that the civil servants of our Government are under some kind of constant harassment procedure and are not notified of adverse actions is pure bunk. I think that our committee was hustled into a position of not really understanding the need.

Now, as to the next point, No. three:

The employee may review all the evidence relied upon by the agency in proposing the action.

Again, this is advance notice.

Four: "The employee must be given an opportunity to reply orally and in writing to the proposed charges" that are made by anybody in the agency.

Five:

Although it is not mandatory, agencies must allow an employee representation in the preparation and submission of the reply to a proposed action.

In most cases, there are a substantial number of civil-servant lawyers who are available to help them in the preparation of this material.

I want to complete the list of protections that are provided for a civil servant to show that the need for this legislation has in no way been substantiated.

An employee is entitled to a written decision made by a higher level official than the official who proposed the action.

Therefore, he is provided with the protection of other levels of administration, not just the immediate supervisor. So that the claim that the immediate supervisor dominates in his ability to harass an employee can be avoided by an appeal to a higher level.

Mr. WHITE. Madam Chairman, will the gentleman yield?

Mr. ROUSSELOT. I will yield to the gentleman from Texas in just one moment. I might say that the gentleman from Texas has had quite a bit of time on his own behalf and I will be glad to yield to the gentleman as soon as I have completed my point.

Another point under present law:

If the action is effected, the employee has a right to appeal both the merit and procedures of the adverse action to the Federal Employee Appeals Authority which affords him a right to representation and to produce and cross-examine witnesses in a full hearing; and

Finally, the employee is allowed access to the Federal courts.

I want to repeat that we had testimony primarily from employees who say they must have this because there is an imagined need to give employees council, I do not really know for what. Second, from a few people who have said there has been inadequate counsel for Federal employees. But the overwhelming majority of people presently in the civil service will tell you that they do have adequate protection and this is primarily an add-on that is wholly unneeded.

Now I yield to the gentleman from Texas.

Mr. WHITE. All the protections that the gentleman has spoken about that the Federal employee has are affected by this.

Mr. ROUSSELOT. No, they are not, the gentleman is wrong. I just repeated one point, that there must be 30 days' notice in advance, and I do not know of any employees in the private sector that are given 30-day advance notice. In the case of Federal employees, there clearly is. Advance notice both written and oral.

Mr. WHITE. Not 30 days' notice before this, not 30 days' notice but perhaps before the charge which we are talking about.

Mr. ROUSSELOT. Thirty days before the charge or an adverse action. What other protection does an individual need?

Mr. WHITE. We are talking about the situation at the time the employee has already done himself in.

Mr. ROUSSELOT. What does the gentleman mean by "done himself in"?

If the employee has done himself in, then he has done things to himself by his own action.

Mr. WHITE. I mean in a hapless way, witlessly, without understanding what he was doing. The courts have already spoken in many cases of people doing so through ignorance of the law and not having a proper understanding of the situation.

Mr. ROUSSELOT. Let me say, if an action is presented the employee has the right to appeal upon the merit and the procedures of the adverse action to the Federal Employee Appeals Authority which affords him the right to representation and to participation and cross-examination of witnesses in full hearings.

The CHAIRMAN. The time of the gentleman has expired.

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

Mr. ROUSSELOT. But, to imply that there is no built-in protection for Federal employees and that somehow or other they are being run through adverse actions in an arbitrary manner, as compared to the private sector, just is not true.

Mr. BEARD of Tennessee. Madam Chairman, will the gentleman yield?

Mr. ROUSSELOT. I yield to my colleague, the gentleman from Tennessee (Mr. BEARD).

Mr. BEARD of Tennessee. Madam Chairman, I would ask the gentleman from California, as a member of the committee, does the gentleman at this time, after all of the debate that we have had in the committee and on the floor of the House, truly understand the statement as to when an employee is under investi-

gation? Or does the gentleman know the answer to that question?

Mr. ROUSSELOT. The answer is no, and many of the people who have written the bill do not know the answer to it either. Because "under investigation" could mean many things.

Mr. BEARD of Tennessee. Does the gentleman not also see the problem that would confront a GS–8 or a GS–7 who is in charge of say five or six employees and who is trying to make his little unit productive? Can the gentleman not see the problem or does the gentleman not think that there would be problems when that person were to try to make decisions, and to question an employee as to the quality of his work, or maybe about the fact that he did not come to work on time, or that he has been absent, or there has been some hanky-panky going on? And here is a GS–7 or a GS–8 who is trying to do his job and who now finds that he has to have a legal mind such as an officer of the court would have in order to be able to decide how far he can go in just asking any employee some proper supervisory questions?

Mr. ROUSSELOT. I believe that the point that the gentleman from Tennessee is making is an excellent one. I think it shows clearly that this legislation creates an adversary concept built into Federal employee relationships with management—and maybe that is what my colleagues wish to do. I think if we look at today's General Accounting Office report on the difference between the productivity under the medicare and medicaid authority in processing a simple application in the private sector, as compared with Government processing, we would see that we do not need more adversary proceedings introduced into the process but that we need fewer of them.

The CHAIRMAN. The time of the gentleman has expired.

Mr. TAYLOR of Missouri. Madam Chairman, I move to strike the requisite number of words.

Madam Chairman, the taxpayers of this Nation are struggling to pay 32.8 million Federal employees. In my judgment, they are fully entitled to at least know that those employees are being supervised. As the gentleman from California so well stated, Federal employees today are protected by seven or eight steps which are not available to employees in the private sector.

Madam Chairman, this bill is fraught with dangers. It is a departure from the established supervisory procedures in the private sector. It is ambiguous. In my judgment, it will invite litigation on every act of supervision and will continue to promote mediocrity in the bureaucracy. I think it is an affront to the taxpayers of this Nation to pass such ill-advised legislation that will certainly hamper the supervisory process within the Federal bureaucracy.

There was no evidence in the committee that I heard—and I did participate in the committee hearings—that would indicate that there was any need for this, because of any abuses of any of the rights of Federal employees.

Mr. BEARD of Tennessee. Madam Chairman, will the gentleman yield?

Mr. TAYLOR of Missouri. I yield to the gentleman from Tennessee.

Mr. BEARD of Tennessee. I thank the gentleman for yielding.

I would like to ask the gentleman also as a member of the committee if he had found an answer that he can sink his teeth into as to when an employee is under investigation. Did he ever find an appropriate or legitimate answer to that question?

Mr. TAYLOR of Missouri. No, we did not, and we searched diligently for it. I think that is the real hazard of this bill, the ambiguous part of the bill, because no supervisor knows when he begins a conversation with an employee, where that conversation is going to lead. No one really knows whether there has been a serious charge that can be filed until such time as supervisory control is exercised.

Mr. BEARD of Tennessee. Will the gentleman yield further?

Mr. TAYLOR of Missouri. I yield to the gentleman.

Mr. BEARD of Tennessee. I should like to ask each Member of this body if he would be willing to have his own employees live by these standards. When they vote, I would like them to ask themselves, "Would I be willing to have my employees, my legislative assistant or my secretary or my administrative assistant, live by this to the point that I could not even ask them a question without making sure that they had the right to have an attorney, to bring an attorney in with them to sit down, the right to counsel?" Just imagine what it would be like in one's office.

I think this is unreal, and I should like to ask each Member to think on that particular point when he votes on this beautiful piece of motherhood legislation.

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

Mr. TAYLOR of Missouri. I yield to the gentleman from California.

Mr. ROUSSELOT. I thank the gentleman for yielding.

I think my colleague, the gentleman from Tennessee, has brought out an excellent point. I wonder if my colleagues who say they advocate this bill are willing to give each one of their employees, every time there is some disruption in the office, the right to counsel, and will insist that a lawyer come in every time there is a disagreement.

Mr. WHITE. Madam Chairman, will the gentleman yield?

Mr. TAYLOR of Missouri. I yield to the gentleman from Texas.

Mr. WHITE. I thank the gentleman for yielding.

I would be glad to do it, if they give them civil service and coverage too.

Mr. ROUSSELOT. That is fine, if you believe that will return increased productivity.

Mr. WHITE. The fact is that every one of our constituents, every business in our constituency, is covered in a broader sense because there all an employee needs is a reason to believe that he is under investigation. Here we are saying that he has to be under investigation. This is far more protection than our constituency has now.

Mr. ROUSSELOT. If the gentleman will yield further, is the gentleman from Texas willing to apply this legislation to his employees?

Mr. WHITE. Yes, indeed.

Mr. ROUSSELOT. Fine. I am glad to hear that. We will see how many of his employees make use of it—free legal counsel every time they have an adverse action, free legal advice through the Legal Service Corporation.

Mr. WHITE. Not paid for by the Government, though. It is not paid for under this bill.

Mr. ROUSSELOT. The Legal Service Corporation provides legal advice at the taxpayers' expense.

Mr. TAYLOR of Missouri. Madam Chairman, I do not think there is any question in any thinking person's mind but that this bill would be detrimental to the Federal service; it will be detrimental to the Federal employees; it will be detrimental to the taxpayers of this Nation who, after all, will be picking up the bill—of the unsupervised employees in the public sector. I think it is fraught with danger. It will lead to litigation, confusion and inefficiency. I think this bill should be defeated outright.

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

Madam Chairman, I rise in support of this bill. I commend the gentleman from Texas (Mr. WHITE) for his work in this connection.

It is suggested this bill would create an adversary position. Of course it would. It would protect the adversary position. The adversary position develops the moment the management starts to go after the rights of the employee.

The question was raised: Where do we make the distinction? The bill is quite explicit: It is in investigations that are based on the misconduct of the employee.

Let me suggest this. What we are really saying in some of the arguments offered by the opponents of this bill is that protection is there for the private sector and that there are sufficient procedures for the protection of civil service employees, but they do fall short of what is given to the private sector. Once again we see the civil service employees subordinated to a secondary position.

The chairman of the subcommittee who authored this bill responded early on to the question that was posed: Is there not a sufficient procedure? Let me give the practical effects.

First. We have a litany of agencies against the bill. I understand why. As a former civil servant I still maintain my associations with the civil service. I know exactly the difficulties the employees have. The point is we do have some supervisors who are extremely arbitrary.

We do have investigators who isolate the employee and intimidate him into taking positions or making admissions that have no basis, and ofttimes misleading and misinforming him and promising there will be no punishment. Deal with the psychology of that and in the end we will find the employee has been victimized into admitting a fact that was

not true, just hoping and praying the situation and all its attendant anxiety would pass in the hope he will not be made to suffer too much, but in the end he is dismissed or perhaps charged on the basis of his induced admission.

What does this bill provide? It provides the same protection—the very same protection—that is provided to the inmates of the penal institutions of this Nation as a result of court decisions. I do not think it would be unfair to provide civil service employees, the law abiding citizens of the Nation, with the same protections we provide to those who are being punished for violations of the law.

The fact is we do have some substantial arguments against this bill if we talk about ideal situations, if we talk about individuals who are mature enough in supervisory capacities to deal objectively. But this is not an objective thing. It is ofttimes subjective and there will be a scapegoat somewhere. We all know about administrations.

I am aware of the possible difficulties that will accrue in the way of procedures but let us get down to the basic fundamental rights of individuals. We are not talking about general personnel. We are not talking about statistics. We are talking about a single individual, a career man whose life might be very seriously and adversely affected because he has been denied the protection that he is rightfully entitled to as an American citizen and should be provided as a civil service employee.

I would suggest really there that the opposition reconsider their position and that they vote for the bill.

My only question, and I spoke to the gentleman from New Jersey about this, in connection with this bill is whether 30 notice days is too long. I like the concept, I am for the bill, but in order not to go overboard in our approach I would like to see the 30-day period narrowed. I can see some effectiveness in having those 30 days narrowed. But as far as the arguments against the bill, they would be meaningful if we were dealing with the ideal supervisor and the ideal administration head but that is not the reality of life.

The CHAIRMAN. The time of the gentleman from New York has expired.

(At the request of Mr. ROUSSELOT, and by unanimous consent, Mr. BIAGGI was allowed to proceed for an additional 2 minutes.)

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

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

Mr. ROUSSELOT. Madam Chairman, I, too, was a civil servant. I was interested in the comment that the gentleman made, and I want to be sure I understand, that there is, in fact, an adversary relationship between management and the general civil servant. Does the gentleman really believe that?

Mr. BIAGGI. Yes. I really do.

Mr. ROUSSELOT. And that we must enhance the adversary role?

Mr. BIAGGI. If it is necessary to protect the right of the employees, then, yes; but I would suggest that the adversary role should be dissipated. I will tell the gentleman why it is an adversary role, because if management employs supervisory employees who are, in effect, not competent, not objective in the performance of their duties, they make many of the employees subordinate to them servile, and wrongfully submit them to their will.

Mr. ROUSSELOT. When the gentleman served in civil service, did the gentleman feel that the gentleman was constantly in an adversary relationship?

Mr. BIAGGI. As I said, not universally; but we did have supervisors that put me in that state of mind.

Mr. ROUSSELOT. Well, those are bad management supervisors and we have that in all segments of life. We have all kinds of protection of civil servants; in fact, more protection than in any other section of the private sector. I did not find myself in that position when I was in civil service. I was never in an adversary position.

Sure, we had management positions, but we had more than enough protection in the system of appeals. They could, as a matter of fact, drag it out for a whole year, if they wanted to.

Mr. BIAGGI. For a whole year?

Mr. ROUSSELOT. Yes.

Mr. BIAGGI. I appreciate what the gentleman is saying. In any event, let me say what is vital here. The initial stage in the structure of the chain of command and discipline, that initial finding is never or rarely changed. To vary the finding as we go up the chain of command is unusual. It should be determined on the basis of the record, but invariably that initial finding that could be made on the basis of improper investigation is denying the civil service employee his right to be protected and it will perpetuate itself right through the chain of command and he will suffer irreparably.

The CHAIRMAN. The time of the gentleman from New York has again expired.

(At the request of Mr. ROUSSELOT, and by unanimous consent, Mr. BIAGGI was allowed to proceed for 1 additional minute.)

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

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

Mr. ROUSSELOT. Is the gentleman prepared to say that the Federal Employees Appeals Authority, which is the ultimate decider on appeals that employees now have and they must be given a 30-day written advance notice when there is going to be an adverse action to a civil servant, does the gentleman say they are not doing their job?

Mr. BIAGGI. Let us say they are not always doing their job properly. They are victimized by the system. Let me repeat this once again.

Mr. ROUSSELOT. My belief, if the gentleman will yield, is that we should direct this to the appeals authorities and not just provide free counsel all the way around.

Mr. BIAGGI. Except we are dealing with a human element and the human element is susceptible to the system. The procedure is correct, but in its application it is not properly administered. That is the hard-core fact of life.

The CHAIRMAN. The time of the gentleman from New York has again expired.

(At the request of Mr. MYERS of Pennsylvania, and by unanimous consent, Mr. BIAGGI was allowed to proceed for an additional 2 minutes.)

Mr. MYERS of Pennsylvania. Madam Chairman, will the gentleman yield?

Mr. BIAGGI. I yield to the gentleman from Pennsylvania.

Mr. MYERS of Pennsylvania. Madam Chairman, if I get what the gentleman is saying, the gentleman regards this bill as an affront toward supervisors in considering the situation that an employee is always being victimized.

I happen to have been a supervisor at one time. I submit that in many cases supervisors in order to have employees who are conscientious and doing a good job, not overloaded, they have to investigate. They have to question some of the employees who are not carrying the burden; so that I think if we have a bill which inhibits the supervisors and they do not carry through with this obligation, we are going to have the good Federal workers even more burdened in carrying the load for workers who cannot question the supervisors thoroughly enough.

I think we are really doing a disservice to those employees who have the best interests at heart in carrying out the objectives of the Federal Government, the objectives of the program. They have to have protection also, and the only way they can have it is when a just and good supervisor is willing to call, in an investigation, individuals who are not carrying their share. I would like them to have the gentleman comment on that.

Mr. BIAGGI. I would like to respond to the gentleman. Like himself, I was a supervisor in my time in the civil service, and I know exactly whereof I speak, as an employee and as a supervisor.

I can tell the gentleman that I was ofttimes instructed, or might have been the recipient of a suggestion, as to what is to be done with the employee. Yes, when the supervisory personnel is permitted to do its job unhampered and objectively, there would be no need for this. I made that statement and I concede that, but that is the situation under ideal conditions, but that is not the fact of life. I still continue to say that in the civil service, once an employee is marked for whatever reason, whether it be personality difference or difference of opinion, once that employee is marked, he is in trouble.

This legislation obviously will help remove the stigma associated with the "marked" Federal employee by mandating his right to representation during the initial and all succeeding stages of a hearing. I commend the concept incorporated into this bill and feel this bill combined with the passage last week of the Hatch Act are at long last remedying years of inequities to Federal employees.

I offer the observation that the privileges and rights being sought for Federal employees in this bill should be extended to other deprived segments of our population. Specifically I would mention law enforcement personnel. I have introduced legislation, H.R. 2788, cosponsored by some 90 of my colleagues that would ex-

tend to law enforcement personnel the same basic civil rights that those persons they protect are entitled to. At this point in the RECORD, I would like to insert the portion of my bill entitled "Rights of Law Enforcement Officers While Under Investigation." I suggest much of what we are discussing today is contained in this bill, and H.R. 6227's likely passage should be followed by the passage of H.R. 2788.

The relevant portion of H.R. 2788 follows:

"'RIGHTS OF LAW ENFORCEMENT OFFICERS WHILE UNDER INVESTIGATION

"'SEC. 2. Whenever a law enforcement officer is under investigation for alleged malfeasance, misfeasance, or non-feasance of official duty, with a view to possible disciplinary action, demotion, dismissal, or criminal charges, the following minimum standards shall apply:

"'(1) No adverse inference shall be drawn and no punitive action taken from a refusal of the law enforcement officer being investigated to participate in such investigation or be interrogated other than when such law enforcement officer is on duty, or when exigent circumstances otherwise require.

"'(2) Any interrogation of a law enforcement officer shall take place at the offices of those conducting the investigation, the place where such law enforcement officer reports for duty, or such other reasonable place as the investigator may determine.

"'(3) The law enforcement officer being investigated shall be informed, at the commencement of any interrogation, of the nature of the investigation, the names of any complainants, and the identity and authority of the person conducting such investigation, and at the commencement of any interrogation of such officer in connection with any such investigation shall be informed of all persons present during such interrogation. All questions asked in any such interrogation shall be asked by or through a single interrogator.

"'(4) No formal proceeding which has authority to penalize a law enforcement officer may be brought except upon charges signed by the persons making those charges.

"'(5) Any interrogation of a law enforcement officer in connection with an investigation shall be for a reasonable period of time, and shall allow for reasonable periods for the rest and personal necessities of such law enforcement officer.

"'(6) No threat, harassment, promise, or reward shall be made to any law enforcement officer in connection with an investigation in order to induce the answering of any question, but immunity from prosecution may be offered to induce such answering.

"'(7) All interrogations of any law enforcement officer in connection with the investigation shall be recorded in full.

"'(8) The law enforcement officer shall be entitled to the presence of his counsel or any other one person of his choice at any interrogation in connection with the investigation.'"

Mr. WHITE. Madam Chairman, will the gentleman yield?

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

Mr. WHITE. Madam Chairman, I would like to clarify one point. In the first place, in private industry employees can have representation when they are under investigation. Under this bill, the supervisor can continue to investigate as to the workings of his office. It is only when an employee is under investigation for misconduct that this bill comes into play.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. MYERS of Pennsylvania. Madam Chairman, I ask unanimous consent that the gentleman be permitted to proceed for 1 additional minute.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

Mr. BROWN of Michigan. Madam Chairman, I object.

The CHAIRMAN. Objection is heard.

Mr. DOMINICK V. DANIELS. Madam Chairman, I move to strike the last word.

Madam Chairman, I rise in support of H.R. 6227, providing employees of executive agencies who are under investigation for misconduct which could lead to suspension, removal, or reduction in rank or pay the right to be advised in writing of the investigation and the right to representation during periods of questioning regarding such misconduct.

Under existing law, such right to representation in connection with disciplinary proceedings is granted only after a formal charge has been filed against the employee.

As indicated in its report on this legislation, the Committee on Post Office and Civil Service believes this legislation would provide needed protection for Federal employees similar to that provided private sector employees under the National Labor Relations Act.

As my colleagues may be aware, this protection was underscored in a recent Supreme Court case, the National Labor Relations Board against Weingarten. In that decision, rendered on February 19, 1975, the Supreme Court recognized the right of an employee in private industry to have a representative present during investigatory interviews which the employee reasonably believes may lead to disciplinary action.

I concur with the view of the Supreme Court that the investigatory interview is a critical point in the disciplinary process. As outlined in the committee report:

It becomes increasingly difficult for the employee to vindicate himself after the interview. The value of any subsequent right to representation is diminished, and the employer becomes more concerned with justifying his reasons for initiating disciplinary action than reexamining them in view of additional facts or considerations presented by the employee's representative.

The committee included many views received from executive agencies in its consideration of this legislation, and was able to develop effective refutations to agency contentions that the provisions of the bill would disrupt the day-to-day functioning of Government agencies, and that procedures might have an adverse national security effect when applied in such agencies as the FBI, the CIA, and the National Security Agency.

I reject the contention that day-to-day functioning of the Government would be affected by this legislation, because the bill pertains only to those situations where disciplinary action could include suspension, removal, or reduction in rank or pay—in other words, when the questioning of the employee relates to serious misconduct. If the misconduct does not warrant such action, then the employer need not advise the employee of his right to representation, and the employee may not refuse to answer questions based upon the provisions of the legislation.

Further, the sole sanction against an employer for failing to accord the right to representation is to render inadmissible any statements or evidence obtained from the employee during the course of questioning.

Madam Chairman, this legislation is designed solely to provide an employee with the assistance of a representative of his choice during a disciplinary proceeding which could lead to his dismissal, suspension, or reduction in rank or pay. The bill does not cover the ordinary workplace discussion between supervisor and employee about the employee's work.

Further, Madam Chairman, the record of employee abuse because of the lack of such right to representation is eloquent testimony on the need for this legislation.

The Post Office and Civil Service Committee has worked long and hard on this legislation, and I commend my colleagues for their diligence and I commend the chairman for his leadership on this important issue.

Madam Chairman, I strongly urge my colleagues to join with me in supporting this legislation so that Federal employees will not have to suffer from the lack of proper guidance and counsel when their jobs are at stake.

Mr. TAYLOR of Missouri. Madam Chairman, I make this point of order that a quorum is not present.

The CHAIRMAN. Evidently a quorum is not present.

The Chair announces that pursuant to clause 2, rule XXIII, she will vacate proceedings under the call when a quorum of the Committee appears. Members will record their presence by electronic device.

The call was taken by electronic device.

QUORUM CALL VACATED

The CHAIRMAN. One hundred and five Members have appeared. A quorum of the Committee of the Whole is present. Pursuant to rule XXIII, clause 2, further proceedings under the call shall be considered as vacated.

The Committee will resume its business.

AMENDMENT OFFERED BY MR. BEARD OF TENNESSEE

Mr. BEARD of Tennessee. Madam Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BEARD of Tennessee: on page 1, line 8 insert immediately following the word "agency" the following: ", or any employee as defined under section 2107 of this Title,".

POINT OF ORDER

Mr. CHARLES H. WILSON of California. Madam Chairman, I have a point of order against the amendment.

The CHAIRMAN. The gentleman will state his point of order.

Mr. CHARLES H. WILSON of California. Madam Chairman, under rule XVI, clause 7, of the Rules of the House, any amendment to a bill concerning a subject different from those contained

in the bill is not germane and is subject to a point of order. The instant amendment proposes to make the bill applicable to a completely new class of employees other than what is covered under the bill, namely, congressional employees. However, the reported bill applies only to employees of executive agencies as defined under section 105.

In my opinion, the subject of the amendment is not similar to any of the subject matters involved in H.R. 6227 which I have just outlined and is not germane.

Madam Chairman, in view of this, I make a point of order against the amendment offered by the gentleman from Tennessee (Mr. BEARD).

The CHAIRMAN. Does the gentleman from Tennessee (Mr. BEARD) wish to be heard on the point of order?

Mr. BEARD of Tennessee. I do, Madam Chairman.

Madam Chairman, I feel the amendment is germane to this particular bill inasmuch as the people we are including in this bill are Federal employees and those concerning whom we are legislating today are Federal employees.

So I feel the point of order is an invalid one. They are all Federal employees, and to me that would discriminate against one group of Federal employees versus another group.

Mr. ROUSSELOT. Madam Chairman, may I be heard on the point of order?

The CHAIRMAN. The Chair will hear the gentleman.

Mr. ROUSSELOT. Madam Chairman, just a few weeks ago we had all Federal employees included in one bill, and this is another bill which came legitimately from the committee. These bills both relate to Federal employees.

I am disappointed that my colleague, the gentleman from California (Mr. CHARLES H. WILSON), is trying to avoid a vote on this issue so he can decide whether or not he wants to include his own employees. I believe that is what most of the Members on his side say they want to do.

Mr. BEARD of Tennessee. Madam Chairman, if I may be heard further on the point of order, all this does is to remove an exemption rather than add a group of employees. It is just removing an exemption, and I believe that is the fair thing to do.

The CHAIRMAN (Ms. JORDAN). The Chair is prepared to rule.

The bill before us is very explicit as to its scope. It includes any employee of an executive agency. The bill itself, by its own terms, affects the class of civil servants known as executive agency employees.

The amendment offered by the gentleman from Tennessee (Mr. BEARD) would seek to amend the bill by adding a totally different individual class of employees to the bill beyond the scope of the bill, namely, congressional employees as defined in section 2107.

The rule of germaneness, in terms of amendments of this kind, states as follows: One individual proposition may not be amended by another individual proposition, even though the two belong to the same class.

In light of that principle and in light of the scope of this bill, the Chair rules that this amendment is not germane and is, therefore, out of order.

Mr. ROUSSELOT. Madam Chairman, may I be heard.

The CHAIRMAN. The gentleman from California (Mr. ROUSSELOT) is recognized.

Mr. ROUSSELOT. Madam Chairman, respecting the chairperson's ruling, in regard to title V to which this bill addresses itself, an amendment to title V includes all employees, including the President, Members of Congress, and members of the uniformed services, even though this bill has application, as the gentlewoman has said, only to Federal employees. Therefore, this title V does apply to all Federal employees.

Mr. CHARLES H. WILSON of California. Madam Chairman, I think the gentleman from California (Mr. ROUSSELOT) is out of order. The Chair has made its ruling.

The CHAIRMAN. To the gentleman from California (Mr. ROUSSELOT) the Chair would only state that the germaneness of the amendment must be weighed against the content and scope of the bill and not title V of the United States Code, as the gentleman would interpret it.

Are there further amendments?

Mr. MYERS of Pennsylvania. Madam Chairman, I move to strike the requisite number of words.

Madam Chairman, I would like to ask a couple of questions of the subcommittee chairman.

This bill provides protection for civil service employees to have counsel at the time an investigation is going on which might lead to the dismissal of those employees; is that correct?

Mr. WHITE. If the gentleman will yield, that is the purpose of it.

Mr. MYERS of Pennsylvania. Are there any differences between employee positions designated a person has within Federal employment? In other words, does this same protection go to supervisors as well as to nonsupervisory personnel?

Mr. WHITE. Any employee of the executive agency would be covered by this bill.

Mr. MYERS of Pennsylvania. Would this also apply if an employee has a complaint against his supervisor and takes that complaint to the supervisor's immediate supervisor or to some higher-up? Does the supervisor who is the object of the complaint have the right to counsel in responding to that complaint at that time?

Mr. WHITE. If the gentleman will yield further, if the supervisor is under investigation for misconduct and it could lead to his removal or reduction in rank or dismissal, then he would be entitled to ask for counsel. However, if the agency fails to warn him and fails to give him that right, the agency could still question him. The only difference is that what he says cannot be used against him.

Mr. MYERS of Pennsylvania. If the employee has the intention that the supervisor should be removed from that position, is the employee bound to notify the supervisor that he is being placed under investigation?

Mr. WHITE. No, because the employee does not have the power to remove. The complaint would have to be addressed to the individual who has the power to remove.

Mr. MYERS of Pennsylvania. If the testimony or the statement of the employee has the intent of removing the supervisor from his position, would the supervisor not have to have knowledge of that and have counsel at that particular time?

Mr. WHITE. If the supervisor were under investigation, then at that time he would have that right. However, individual employees would not have to give notice to the supervisor that they are placing him under investigation.

Mr. MYERS of Pennsylvania. Even if he is talking with a supervisor and the statements he is making to this particular supervisor's immediate superior, even if the statements that he is making at that time will lead to the dismissal of the supervisor, the supervisor is not entitled to have counsel during that period of time?

Mr. WHITE. The employee has no authority with respect to removal or punishment for misconduct. Therefore, under those circumstances, he would not have to give that warning.

The right to counsel and/or a representative accrues to a superior or a supervisor where the superior or supervisor is under investigation.

Mr. MYERS of Pennsylvania. If a statement is made without counsel's being present, can it be used in the dismissal of the supervisor?

Mr. WHITE. No, just as an employee in talking to another employee can have the statement used against him as necessary evidence.

Mr. MYERS of Pennsylvania. Let me clarify that again. As an example, if supervisor A is under a compliant by an employee.

Mr. WHITE. By a subordinate?

Mr. MYERS of Pennsylvania. By a subordinate.

Mr. WHITE. OK.

Mr. MYERS of Pennsylvania. And the subordinate takes the complaint to the supervisor of supervisor A and gives a statement on some matter about the capability of supervisor A or the way he works, gives this to the immediate superior of supervisor A, then the gentleman is saying that if that is not presented to the superior by counsel that it cannot be used against supervisor A.

Mr. WHITE. That could be used unless the superior of that supervisor authorized that employee as an arm of the supervisor, the superior, that he is in an investigative matter. But if he is merely an employee without authority of any nature then it it is merely evidentiary; there would be no requirement of counsel.

Mr. MYERS of Pennsylvania. I thank the gentleman.

Mr. BEARD of Tennessee. Madam Chairman, will the gentleman yield?

Mr. MYERS of Pennsylvania. I yield to the gentleman from Tennessee.

Mr. BEARD of Tennessee. Madam

Chairman, the gentleman from Texas mentioned that it would not lie so far as being material in the investigation of a supervisor?

Mr. WHITE. If the employee, who is below the supervisor under investigation, has no supervisory authority for investigation or for dismissal or discriminatory action to the supervisor, it would be only evidentiary.

Mr. BEARD of Tennessee. Where in the bill is there reference made to that?

Mr. WHITE. By commonsense.

Mr. BEARD of Tennessee. It may be commonsense, but where is it in the bill?

Mr. WHITE. There is no need to have it in the bill, because we are talking about something else.

Mr. BEARD of Tennessee. Here is another example of how we have not drawn the lines correctly.

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

(By unanimous consent, Mr. MYERS of Pennsylvania was allowed to proceed for 2 additional minutes.)

Mr. MYERS of Pennsylvania. Madam Chairman, I would like to make a brief statement before we go on. I would like to say that the balance in the relationship between an employee and a supervisor is one of such a delicate nature to begin with that I think before we tinker with it, beyond the point of throwing it all out of control, that we ought to consider this fact. One of the most delicate relations between a supervisor and an employee is that situation that requires a supervisor to go to the employee with an investigation, with a possible penalty of loss of job or loss of pay.

It is my impression that most supervisors are not of the type that run rampant over the top of their employees. From the impression that has been given here today one would think that all supervisors in the Federal service have as their main objective the firing of every employee, or to try to take all of their benefits away from them. I submit that that is not true.

I would submit further that there are as many employees who need to be corrected as there are supervisors who may need to be corrected. As I said before, I think if a supervisor does not feel free to properly supervise employees then we must ask who is going to be hurt? It is not the supervisor, but the people who will be hurt are those who are receiving services from the Federal Government such as social security recipients, or it is going to be those good, conscientious workers who come to work every day and do their full share and shoulder the burden and do not really make too much of a big thing about it, they are the ones who will be hurt if we destroy the proper relationship between the employees and supervisor.

Mr. TAYLOR of Missouri. Madam Chairman, will the gentleman yield?

Mr. MYERS of Pennsylvania. I yield to the gentleman from Missouri.

Mr. TAYLOR of Missouri. Madam Chairman, I thank the gentleman from Pennsylvania yielding to me and I think the gentleman from Pennsylvania, Mr. MYERS, is making a very well-intended point.

There has been reference to the case of National Labor Relations Board versus Weingarten, Inc., but I think that it would be well to point out a part of the decision that has not been brought to the attention of the committee:

> The bill also ignores the Supreme Court's suggestion in N.L.R.B. v. Weingarten, Inc., 43 U.S.L.W. 4275 (U.S. Feb. 19, 1975) that employees may find positive benefit in cooperative discussions with managers. Accordingly, the Commission believes the provisions of H.R. 6227 to be extremely undesirable . . .

(At the request of Mr. WHITE, and by unanimous consent, Mr. TAYLOR of Missouri was allowed to proceed for 1 additional minute.)

Mr. WHITE. Madam Chairman, will the gentleman yield?

Mr. TAYLOR of Missouri. I yield to the gentleman from Texas.

Mr. WHITE. I thank the gentleman for yielding.

I wanted to point out in response to the question the gentleman asked, that on the last page, page 4, it says:

> The Civil Service Commission shall prescribe regulations necessary to carry out the purposes of this subchapter.

In other words, if there is a question as to niceties, the Civil Service Commission can issue the regulations that will clarify the matters we were speaking of before as to an employee relating to his superior officer.

Mr. MYERS of Pennsylvania. If the gentleman will yield, in other words, the bill was not clear.

Mr. WHITE. The bill is clear, in my opinion, because it says an "employee is under investigation for misconduct." There is no question in my mind. It is as clear as any bill on this subject or any other subject, but the clarification can also come from the Civil Service Commission.

The CHAIRMAN. Are there further amendments? If not, under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. O'NEILL) having assumed the chair, Ms. JORDAN, 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. 6227) to amend title 5, United States Code, to provide Federal employees under investigation for misconduct the right to representation during questioning regarding such misconduct, pursuant to House Resolution 724, she reported the bill back to the House.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

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.

The SPEAKER pro tempore. The question is on the passage of the bill.

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

Mr. BEARD of Tennessee. 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 pro tempore. 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 217, nays 163 not voting 53, as follows:

[Roll No. 642]

YEAS—217

Addabbo	Fountain	Natcher
Alexander	Gaydos	Neal
Ambro	Giaimo	Nichols
Anderson, Calif.	Gonzalez	Nix
	Gude	Nolan
Anderson, Ill.	Hall	Nowak
Ashley	Hammer-schmidt	Oberstar
Aspin		Obey
Badillo	Hanley	O'Hara
Baldus	Hannaford	O'Neill
Barrett	Harkin	Ottinger
Baucus	Harrington	Patman, Tex.
Bergland	Harris	Patterson, Calif.
Bevill	Hawkins	
Biaggi	Hayes, Ind.	Pattison, N.Y.
Biester	Hays, Ohio	Perkins
Bingham	Hechler, W. Va.	Peyser
Blanchard	Heckler, Mass.	Pickle
Blouin	Hefner	Pike
Boggs	Heinz	Pressler
Boland	Helstoski	Preyer
Bolling	Henderson	Price
Bonker	Hicks	Randall
Brademas	Holland	Rangel
Breckinridge	Holtzman	Rees
Brodhead	Howard	Reuss
Brooks	Howe	Richmond
Brown, Calif.	Hughes	Riegle
Burke, Calif.	Hungate	Rinaldo
Burke, Mass.	Jacobs	Rodino
Burton, John	Jenrette	Roe
Burton, Phillip	Johnson, Calif.	Rooney
Carney	Jones, Okla.	Rosenthal
Carr	Jordan	Rostenkowski
Chappell	Karth	Roush
Chisholm	Kastenmeier	Roybal
Clay	Kazen	Russo
Cohen	Keys	St Germain
Collins, Ill.	Koch	Sarbanes
Conyers	Krebs	Schroeder
Corman	LaFalce	Seiberling
Cornell	Leggett	Sharp
Cotter	Lehman	Sikes
D'Amours	Levitas	Simon
Daniels, N.J.	Long, La.	Smith, Iowa
Danielson	McCloskey	Spellman
Davis	McFall	Staggers
Delaney	McHugh	Stanton, James V.
Dellums	McKay	
Dent	Macdonald	Stark
Derrick	Madden	Steed
Dingell	Madigan	Stokes
Dodd	Maguire	Studds
Downey, N.Y.	Mann	Sullivan
Drinan	Matsunaga	Teague
Early	Mazzoli	Thompson
Eckhardt	Meeds	Thornton
Edgar	Melcher	Traxler
Edwards, Calif.	Metcalfe	Tsongas
Eilberg	Mezvinsky	Van Deerlin
Emery	Mikva	Vander Veen
English	Miller, Calif.	Waxman
Evans, Colo.	Mills	Weaver
Evans, Ind.	Mineta	White
Evins, Tenn.	Minish	Wilson, C. H.
Fascell	Mitchell, Md.	Wolff
Fenwick	Moakley	Wright
Fish	Moffett	Yates
Fisher	Moorhead, Pa.	Yatron
Fithian	Morgan	Young, Ga.
Flood	Moss	Young, Tex.
Florio	Mottl	Zablocki
Flowers	Murphy, Ill.	Zeferetti
Ford, Tenn.	Murtha	

NAYS—163

Abdnor	Broyhill	Daniel, Dan
Adams	Burgener	Daniel, R. W.
Andrews, N. Dak.	Burleson, Tex.	Derwinski
	Burlison, Mo.	Devine
Archer	Butler	Downing, Va.
Armstrong	Byron	Duncan, Tenn.
Ashbrook	Carter	du Pont
AuCoin	Casey	Edwards, Ala.
Bafalis	Clancy	Erlenborn
Bauman	Clausen, Don H.	Eshleman
Beard, Tenn.		Findley
Bedell	Clawson, Del	Flynt
Bell	Cochran	Foley
Bennett	Collins, Tex.	Forsythe
Bowen	Conable	Frenzel
Broomfield	Coughlin	Frey
Brown, Mich.	Crane	Fuqua

Gibbons	McCormack	Satterfield
Gilman	McDade	Schneebeli
Goldwater	McDonald	Schulze
Goodling	McEwen	Sebelius
Gradison	McKinney	Shipley
Grassley	Mahon	Shriver
Guyer	Martin	Shuster
Hagedorn	Mathis	Skubitz
Haley	Michel	Slack
Hansen	Miller, Ohio	Smith, Nebr.
Harsha	Mitchell, N.Y.	Snyder
Hastings	Mollohan	Spence
Hightower	Montgomery	Stanton,
Hillis	Moore	J. William
Hinshaw	Moorhead,	Steelman
Holt	Calif.	Steiger, Ariz.
Horton	Mosher	Steiger, Wis.
Hubbard	Myers, Ind.	Stephens
Hutchinson	Myers, Pa.	Symms
Hyde	O'Brien	Talcott
Ichord	Passman	Taylor, Mo.
Jeffords	Pettis	Taylor, N.C.
Johnson, Colo.	Poage	Thone
Johnson, Pa.	Pritchard	Treen
Jones, N.C.	Quie	Ullman
Jones, Tenn.	Quillen	Vander Jagt
Kasten	Railsback	Waggonner
Kemp	Regula	Walsh
Kindness	Rhodes	Wampler
Krueger	Risenhoover	Whitehurst
Lagomarsino	Roberts	Whitten
Landrum	Robinson	Wilson, Bob
Latta	Rogers	Wilson, Tex.
Lloyd, Calif.	Rose	Winn
Lloyd, Tenn.	Rousselot	Wydler
Long, Md.	Runnels	Wylie
Lott	Ruppe	Young, Alaska
McClory	Ryan	Young, Fla.
McCollister	Santini	

NOT VOTING—53

Abzug	Fary	Nedzi
Andrews, N.C.	Ford, Mich.	Patten, N.J.
Annunzio	Fraser	Pepper
Beard, R.I.	Ginn	Roncalio
Breaux	Green	Sarasin
Brinkley	Hamilton	Scheuer
Brown, Ohio	Hébert	Sisk
Buchanan	Jarman	Solarz
Burke, Fla.	Jones, Ala.	Stratton
Cederberg	Kelly	Stuckey
Cleveland	Ketchum	Symington
Conlan	Lent	Udall
Conte	Litton	Vanik
de la Garza	Lujan	Vigorito
Dickinson	Meyner	Whalen
Diggs	Milford	Wiggins
Duncan, Oreg.	Mink	Wirth
Esch	Murphy, N.Y.	

The Clerk announced the following pairs:

On this vote:

Mr. Annunzio for, with Mr. Hébert against.

Mr. Pepper for, with Mr. Breaux against.

Ms. Abzug for, with Mr. Burke of Florida against.

Mr. Green for, with Mr. Cederberg against.

Mr. Patten for, with Mr. Cleveland against.

Mr. Murphy of New York for, with Mr. Conlan against.

Mr. Sisk for, with Mr. Wiggins against.

Mr. Solarz for, with Mr. Lujan against.

Mr. Nedzi for, with Mr. Sarasin against.

Mr. Diggs for, with Mr. Jarman against.

Until further notice:

Mr. Ford of Michigan with Mr. Andrews of North Carolina.

Mr. Fary with Mr. Brinkley.

Mr. Hamilton with Mr. Scheuer.

Mrs. Meyner with Mr. Conte.

Mr. Wirth with Mr. de la Garza.

Mr. Fraser with Mr. Brown of Ohio.

Mr. Ginn with Mr. Duncan of Oregon.

Mr. Vigorito with Mr. Buchanan.

Mr. Vanik with Mr. Esch.

Mr. Beard of Rhode Island with Mr. Dickinson.

Mr. Whalen with Mr. Jones of Alabama.

Mr. Udall with Mr. Kelly.

Mr. Stratton with Mr. Milford.

Mrs. Mink with Mr. Lent.

Mr. Symington with Mr. Litton.

Mr. Roncalio with Mr. Stuckey.

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. WHITE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and to include extraneous matter on the bill H.R. 6227, just passed.

The SPEAKER pro tempore (Mr. McFALL). Is there objection to the request of the gentleman from Texas?

There was no objection.

REQUEST FOR PERMISSION FOR SUBCOMMITTEE ON INDIAN AFFAIRS OF COMMITTEE ON INTERIOR AND INSULAR AFFAIRS TO SIT DURING 5-MINUTE RULE TODAY

Mr. MEEDS. Mr. Speaker, I ask unanimous consent that the Subcommittee on Indian Affairs of the Committee on Interior and Insular Affairs be allowed to sit this afternoon during the 5-minute rule.

The SPEAKER pro tempore (Mr. McFALL). Is there objection to the request of the gentleman from Washington?

Mr. ROUSSELOT. Mr. Speaker, I object.

The SPEAKER pro tempore. Objection is heard.

FURTHER AMENDING THE PEACE CORPS ACT

Mr. MORGAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 6334) to amend further the Peace Corps Act, and for other purposes, together with the Senate amendments thereto, and concur in Senate Amendment No. 3, disagree to Senate Amendments numbered 1, 2 and 4, and concur in the Senate amendment to the title.

The Clerk read the title of the bill.

The Clerk read the Senate amendments as follows:

(1) Page 1, line 6, strike out "$88,468,000" and insert "$80,826,000".

(2) Page 1, line 8, strike out "$27,887,800" and insert "$25,729,000".

(3) Page 2, strike out lines 18, 19, and 20 and insert:

SEC. 5. (a) Section 105(a)(1) of the Domestic Volunteer Service Act of 1973 (42 U.S.C. 4955(a)(1)) is amended by striking out "$50" and inserting in lieu thereof "$75".

(b) There are authorized to be appropriated, in addition to the sums authorized to be appropriated pursuant to section 501 of such Act, such additional sums as may be necessary to carry out the amendments made by subsection (a) of this section. Such amendments are to be effective for each fiscal year only to such extent and for such amounts as are specifically provided for such purpose in such appropriation Acts.

Page 2, after line 20, insert.

SEC. 6. (a) Section 5(c) of the Peace Corps Act (22 U.S.C. 2504(c)) is amended by striking out "$75" and inserting in lieu thereof "$125."

(b) There are authorized to be appropriated to carry out the amendment made by subsection (a) of this section, $7,642,000 for the fiscal year ending June 30, 1976, and $2,158,000 for the period beginning July 1, 1976, and ending September 30, 1976. Such amendment is to be effective for any fiscal year only to such extent and in such amounts as are specifically provided for such purpose in appropriation Acts.

Amend the title so as to read: "An Act to amend further the Peace Corps Act, and for other purposes.".

The SPEAKER pro tempore (Mr. McFALL) Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

A motion to reconsider was laid on the table.

PERMISSION FOR COMMITTEE ON RULES TO FILE CERTAIN PRIVILEGED REPORTS

Mr. MURPHY of Illinois. Mr. Speaker, I ask unanimous consent that the Committee on Rules may have until midnight tonight to file certain privileged reports.

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

There was no objection.

REQUEST FOR PERMISSION FOR SUBCOMMITTEE ON ENERGY RESEARCH, DEVELOPMENT AND DEMONSTRATION (FOSSIL FUELS) OF COMMITTEE ON SCIENCE AND TECHNOLOGY TO SIT TOMORROW DURING THE 5-MINUTE RULE

Mr. HECHLER of West Virginia. Mr. Speaker, I ask unanimous consent that the Subcommittee on Energy Research, Development and Demonstration (fossil fuels) of the Committee on Science and Technology be permitted to sit tomorrow during the 5-minute rule.

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

Mr. ROUSSELOT. Mr. Speaker, I object.

The SPEAKER. Objection is heard.

PERSONAL EXPLANATION

Mr. BEARD of Rhode Island. Mr. Speaker, with deep regret, I will state that I was not present during the last vote because I was on official business in the Senate with the Joint Committee on Aging.

If I had been present here, I would have voted "yea" on the bill (H.R. 6227).

PROVIDING FOR CONSIDERATION OF H.R. 8835, TRUTH IN LEASING ACT

Mr. MURPHY of Illinois. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 816 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to 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. 8835) to amend the Truth in Lending Act to protect consumers against inadequate and misleading information, assure meaningful disclosure of lease terms, and limit ultimate liability in connection with leasing of personal property primarily for personal, fam-

ily, or household purposes, and for other purposes. After general debate, which shall be confined to the bill and shall continue not to exceed one hour to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking, Currency and Housing, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The SPEAKER. The gentleman from Illinois (Mr. MURPHY) is recognized for 1 hour.

Mr. MURPHY of Illinois. Mr. Speaker, I yield the usual 30 minutes for the minority to the distinguished gentleman from Illinois (Mr. ANDERSON), pending which I yield myself such time as I may consume.

Mr. Speaker, House Resolution 816 provides for an open rule with 1 hour of general debate on H.R. 8835.

H.R. 8835 amends the Truth in Lending Act to protect the consumer against inadequate and misleading leasing information. The consumer lease disclosure section of the bill specifically states that a lease must contain a dated written statement identifying the lessee and the lessor with a brief description of the leased goods, amount of payment required initially by the lessee as well as the amount of periodic payments and other charges not included in these periodic payments.

The lease must also contain a statement identifying all warranties and guarantees by the manufacturer with respect to the leased goods. The conditions under which the lease can be terminated prior to its expiration date must also be included among other conditions designed to further protect the lessee. This accurate disclosure of the lease terms should allow the consumer to compare the options offered by other lessors or available by retail credit sales.

The limitations of liability section of the bill will limit the ultimate liability of the lessee when leasing personal property used primarily for personal, family, or household purposes.

The other major change in this legislation is that it assures meaningful and accurate disclosure of lease terms in advertisements. Any lease that is advertised must include information as to the amount of the payment at the inception of the lease, the number and amounts of the payments under the lease, and the lessee's liability under the terms of the lease.

The bill states further that any lessor who fails to comply with the provisions of this legislation shall be held liable.

There is need for legislation in this area to further achieve the goals of the original Truth in Lending Act. The consumer needs to be protected from an unscrupulous lessor and adequately informed of the terms of his lease.

Mr. Speaker, I urge the adoption of House Resolution 816 in order that H.R. 8835 may be considered.

Mr. ANDERSON of Illinois. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, this bill, the so-called Truth in Leasing Act, as my colleague, the gentleman from Illinois (Mr. MURPHY) has just indicated, is designed to protect consumers against inadequate and misleading lease information and excessive final payments.

It is a bill that, according to the testimony which we received in the Committee on Rules, has been necessitated by the fact that lease advertising all too often has focused on monthly payments that are lower than purchase costs but at the same time fail to disclose the undetermined residual value liability or the real cost of credit to the consumer. These latter items can result in a huge final ballooning payment.

Under the terms of this legislation lessors would be required to disclose to lessees their liability for the difference between the fair cash market value of the leased goods and the appraised actual value upon termination of the lease and other pertinent information prior to the signing of the lease that should be in the possession of the consumer.

The bill would also limit termination payments to not more than three times the average monthly payment except in those cases where there has been excessive damage to the leased property or except in cases of default.

Finally, there is a provision for civil liability for lessors who fail to comply with the terms and requirements of the legislation.

Mr. Speaker, I want to alert the Members of the House at this time to the fact that there was considerable discussion in the Committee on Rules as to how this bill might affect consumer leasing by financial institutions such as banks. I call the attention of the Members to the section of the bill which purports to deal with this question. That is section 181, subparagraph (b) which appears on page 3 of the bill.

That section, as I read it, appears to take a neutral position on this question by stating that nothing in the bill shall be construed or deemed to constitute a congressional finding or determination on the permissibility or impermissibility of consumer leasing by national banks or bank holding companies or bank holding company subsidiaries. As I understand it, that provision was inserted in the legislation in deference to two cases that are now pending in the Federal courts. These are cases that challenge the rights of banks and bank holding companies to engage in closed end leases, and those are, of course, lease arrangements in which part of the residual asset risk is shared by the lessor. At least one Federal district court has held that bank lessors can only engage in open ended leases in which all of the asset risk is borne by the lessee, that is, by the customer or the consumer.

Now, there is another section to this bill I wish to call attention to, and this relates to a question that I posed to at least one member of the committee who appeared before the Committee on Rules. This is the question that I put to a witness who appeared before our committee:

Since this bill in section 183, the section entitled "Limitations of liability," does purport to provide for closed end leases, providing that all of these leases shall be closed end, does that mean that banks and holding companies would be thrown out of the leasing business?

It is my understanding from the testimony that we heard in the Committee on Rules, as well as from reading the supplemental views that are contained in the report which accompanies the bill, that an amendment will perhaps be offered to the legislation in an effort to clarify what the committee's intention was in this regard and to clarify what seems to be a declared intention to remain perfectly neutral on this particular question.

Under the language of the proposed amendment, if it is offered, the making of a lease by a national bank or a bank holding company, where otherwise permissible by law or regulation, would not be deemed impermissible simply because of the provisions of this Act calling for the limited liability on the part of the lessee that is provided for in this bill.

Mr. Speaker, I personally would like to associate myself with the concluding remarks that are to be found in these supplemental views where the authors say: "We do not favor the banks nor do we favor the automobile dealer, though we are partial to competition and partial to the consumer."

Mr. Speaker, I think we would be well advised to follow that rule of not trying to show any favoritism in this regard to either banks or automobile dealers or others who may be engaged in this leasing activity by making it clear that we are simply providing protection against the consumer's being victimized because he is not in possession of the kind of information that he should have before entering into one of these lease agreements.

Mr. Speaker, I urge the adoption of the rule.

Mr. Speaker, I have no further requests for time.

Mr. MURPHY of Illinois. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

PERMISSION FOR SUBCOMMITTEE ON ENERGY RESEARCH, DEVELOPMENT, AND DEMONSTRATION (FOSSIL FUELS) OF COMMITTEE ON SCIENCE AND TECHNOLOGY TO MEET TOMORROW DURING 5-MINUTE RULE

Mr. HECHLER of West Virginia. Mr. Speaker, I ask unanimous consent that the Subcommittee on Energy Research, Development, and Demonstration (fossil fuels) of the Committee on Science and Technology be permitted to meet during the 5-minute rule tomorrow.

The SPEAKER pro tempore (Mr. MCFALL). Is there objection to the request of the gentleman from West Virginia?

Mr. ROUSSELOT. Mr. Speaker, reserving the right to object, could the

gentleman explain to us why this is necessary and what the problem is?

Mr. HECHLER of West Virginia. The full Committee on Science and Technology is meeting at 10 a.m. on Thursday, and the purpose of this brief meeting is to consider a report by the subcommittee to the full committee which cannot be considered tomorrow morning in light of the fact that the subcommittee has held hearings in Colorado up until today.

Mr. ROUSSELOT. Still reserving the right to object, Mr. Speaker, can the gentleman assure us that there will be nothing involved here by way of legislation, other than this report?

Mr. HECHLER of West Virginia. There will be discussions of the particular report that goes to the full committee; that is all.

Mr. ROUSSELOT. And the meeting will not be of long duration so as to interrupt Members who might want to be on the floor, is that correct?

Mr. HECHLER of West Virginia. The meeting will be held very close to the floor, and obviously, will not be of long duration.

Mr. ROUSSELOT. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

TRUTH IN LEASING ACT

Mrs. SPELLMAN. 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. 8835) to amend the Truth in Lending Act to protect consumers against inadequate and misleading leasing information, assure meaningful disclosure of lease terms, and limit ultimate liability in connection with leasing of personal property primarily for personal, family, or household purposes, and for other purposes.

The SPEAKER pro tempore. The question is on the motion offered by the gentlewoman from Maryland (Mrs. SPELLMAN.)

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 8835, with Mr. ROUSH 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 gentlewoman from Maryland (Mrs. SPELLMAN) will be recognized for 30 minutes, and the gentleman from Ohio (Mr. WYLIE) will be recognized for 30 minutes.

The Chair recognizes the gentlewoman from Maryland (Mrs. SPELLMAN).

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

Mr. Chairman, I regret to advise the Committee that Chairman ANNUNZIO will not be here today to carry his truth-in-leasing bill to victory, because he is in the hospital.

Anyone who knows how much of himself the chairman put into this legislation, who has witnessed, as have members of his subcommittee, his dedication, his diligence, and his persuasiveness, will share in our disappointment over his forced absence.

At his request, I am substituting for him today, and I hope I can do justice to his legislation. I know everyone joins me in wishing the gentleman from Illinois, Chairman ANNUNZIO, a speedy recovery and a very prompt return.

Mr. Chairman, I appreciate the opportunity to explain the contents and purpose of H.R. 8835 the Truth in Leasing Act. This legislation will require disclosure of the important terms of consumer lease agreements, both in lease advertising and prior to consummation of lease contracts. In addition, this legislation will limit a consumer's ultimate liability to a lessor under a lease to three times a monthly payment, except if there has been physical damage beyond reasonable wear and use or default.

The House Banking, Currency and Housing Committee reported out this legislation unanimously, as did its Subcommittee on Consumer Affairs.

Leasing consumer personal property such as automobiles or furniture is a rapidly growing business. It is competing with credit sales. By illustration, from 1963 to 1973 new car sales increased only 42 percent, while lease and fleet registration on new cars increased by 127 percent.

Yet, consumers are presently often the victims of inadequate or intentionally misleading information about such leases. Deceptively low monthly payments and low or no initial down payments attract innocent consumers who then sign lease arrangements only later to be surprised to learn they are liable for a huge balloon payment at the end of the lease. Leasing information often fails to disclose that, as in the case of credit sales, there is a finance charge. Also, there is a charge for the leasing service.

This act will afford consumers the information they need to compare various lease arrangements, to compare lease arrangements with credit sales, and to know the extent and conditions of their liability under a lease.

The legislation provides for clear and conspicuous disclosure in the lease contract of lease contract terms including consumer costs such as periodic payments, the aggregate cost of the lease, and consumer liability at the end of the lease.

Equally as important as the disclosure section is the section limiting a consumer's liability. Under the act, a consumer's liability at the end of the lease cannot exceed three times a monthly payment unless there is physical damage beyond reasonable wear or use, or default. This limitation on what is commonly called the balloon payment is absolutely necessary if consumers are to be protected from disreputable lessors who offer deceptively low monthly payments and then surprise the consumer with a huge balloon payment at the end of the lease. This liability limitation is also needed to force lessors to be honest in their appraisal of the leased goods at the end of the lease.

The only controversy affecting this legislation is the request for an amendment to this act to state that Congress finds that national banks can participate in consumer leasing. While such an amendment purports only to be a preservation of the status quo, necessary because some banks claim this act's limitation on liability will force them out of leasing, we want to respond to this controversy right now.

This act's limitation on liability will not force banks out of leasing. First, this act does not even apply to commercial leasing, where most bank leasing occurs. The court case which banks rely on for their prediction of exclusion—M. & M. Leasing—is not even good law because it is only a district court case and has been appealed.

Nevertheless, we will respond to the issue it raises. The case states that banks cannot be in closed-end leasing because that form of lease will not require the consumer to guarantee the lessor the expected resale value of the car since liability ends after the last monthly payment.

This act's limitation on balloon payments does not end the consumer's liability after the last monthly payment. It allows an additional obligation of three times a monthly payment. This should cover any differential between the actual and anticipated resale value of the car.

Furthermore, if there is default in the lease, the limitation does not apply at all. If the car is returned with physical damage beyond reasonable wear and use, again the limitation does not apply at all. To do so would be totally improper and out of order.

This bill definitely is not intended to address the question of bank eligibility to participate in consumer leasing. Before acting on that issue, Congress should hold hearings and vote the matter either up or down. Dealing with such an important issue through the back door and in a covert way would be a disservice to the issue and to the consumers meant to be benefited by this Truth in Leasing Act. I submit: This bill takes a neutral position on bank eligibility favoring neither banks nor leasing companies.

Mr. Chairman, truth in leasing should help protect consumers from harm while not interfering with a legitimate service to consumers—leasing of personal property. I urge you to vote for this needed legislation.

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

Mr. Chairman, I am indeed sorry that our good friend and chairman of the Subcommittee on Consumer Affairs, the gentleman from Illinois (Mr. ANNUNZIO) cannot be here today. Not only because of his temporary physical *infirmity* which causes his absence am I sorry, but also because the gentleman from Illinois (Mr. ANNUNZIO) has dedicated himself to this bill and to the principles encompassed in the bill of standing up for the public interest and generally for consumer pro-

tection. But I am pleased to hear that he is doing well and that he will be back with us before very long.

The gentleman from Illinois (Mr. ANNUNZIO) has been a persistent and tireless worker in his efforts to bring about meaningful legislation in this area of truth in leasing, and in his efforts to bring this bill to the House floor today. I am just sorry that he cannot be here to present the bill, of which I am very proud to be a cosponsor. Of course, that does not detract from my feeling that the gentlewoman from Maryland (Mrs. SPELLMAN) has done an excellent job in presenting the bill.

Mrs. FENWICK. Mr. Chairman, will the gentleman yield?

Mr. WYLIE. I yield to the gentlewoman from New Jersey.

Mrs. FENWICK. I thank the gentleman for yielding.

I should like to associate myself with the gentleman's remarks in support of this bill, and I regret that our dear Chairman, the gentleman from Illinois (Mr. ANNUNZIO) cannot be here. I should also like to speak in admiration for the way our Acting Chairman, the gentlewoman from Maryland (Mrs. SPELLMAN) has handled the bill.

Mr. WYLIE. I thank the gentlewoman.

As has been previously stated, the basic purpose of this bill, H.R. 8835, is to require the disclosure of the aggregate costs, including the interest service charges and finance charges, of the leasing of an automobile or refrigerator or other item which may have residual value at the end of the lease.

We found it necessary to undertake to write a bill like this to close—and I use the word advisedly—what was determined to be a loophole in the truth-in-lending bill. We also found that some of the persons who were in the business of selling automobiles, refrigerators, and hard goods decided to go the leasing route, require only a small down payment with small monthly payments, and then at the end of the lease arrangement, socked the customer with a large balloon payment.

The lessee under those circumstances never knew exactly what the interest charge was, what the finance charge was, or what the service charge was. So the basic concept of this bill is sound; there is not any question about that.

I support its thrust without reservation. I have worked closely with the gentleman from Illinois (Mr. ANNUNZIO) in that regard. But during the course of the hearings on this bill before the subcommittee, it was called to my attention by Mr. Robert Bloom, who was then Chief Counsel of the Administrator of the National Banks for the Comptroller of the Currency of the United States, that the provision in section 183 of the bill would force the lessor to bear some of the risks of the fluctuations in value of the leased item, and enactment of this provision would remove banks and nonbank-related subsidiaries, or bank holding companies, in 23 States from the consumer leasing field.

They base their reasoning on this case to which the gentlewoman from Maryland (Mrs. SPELLMAN) referred a little while ago, the M. & M. Leasing Co., et al. against Seattle First National Bank. In the decision which was rendered April 10, 1975, is is said that under our bill if the liability limitation provision of section 183 remains the arrangement becomes what we call a closed-end lease and banks cannot participate in that because it is not bank-related activity.

It was my feeling that we had no intention of changing the substantive law so that banks in those States where this kind of arrangement was permitted would not thereafter be permitted to do this, and an amendment was recommended to me by the Comptroller of the Currency which would preserve the status quo of banks and bankholding companies in the leasing in these 23 States where such arrangements are permitted. The amendment was adopted by this subcommittee, but in the full committee I offered another amendment which was also adopted by the Subcommittee on Consumer Affairs in the Senate having language more precisely drawn. It was recommended jointly by the Comptroller of the Currency and the Federal Reserve Board.

After a careful examination of that language I realized it was more precise and cleared up this question; that language is found on page 18 of the report accompanying this bill, to which I have made reference in my supplementary views. I offered that amendment and the amendment was defeated. I think I received maybe only four votes but it seemed to me as if we ought to clear up this question of what is the functional equivalent of the extension of credit.

I had intended to offer my amendment on the House floor today because of what I think is the "unintended" effect of the language in section 183 regarding the limits of liability and which would keep banks out of the leasing business in those 23 States until such time as the courts clarify this issue.

One of those States is not Ohio however and I found to my surprise that the commercial bankers in Ohio were not concerned. I talked with commercial bankers in the city of Columbus and they said it did not much matter to them one way or another about my amendment, whereas the Ohio Automobile Dealers Association is violently opposed to the language of my amendment and the amendment which was adopted by the subcommittee over in the Senate.

I now feel that this issue is not my battle.

It would be preferable to take this matter to conference. That is being perfectly frank and honest as to where I stand on this bill today. I felt like my friend who spoke on the rule a little while ago, the gentleman from Illinois (Mr. ANDERSON), who said that we are ducking the issue by not being more precise in what we mean by closed-end lease arrangements. But with little or no support, and discretion being the better part of valor, I decided that today was not the time for me to challenge any provision in this very important bill and that I should not offer the amendment on what would be admittedly a controversial subject with little apparent hope for success.

So I urge adoption of the truth in leasing bill as we have it before us (H.R. 8835) as reported to the House Committee on Banking, Currency and Housing, with the promise that the lease issue as it relates to banks will be the subject of a discussion in the House and in the Senate conference, should I be fortunate enough to be a member of the conference committee.

Mr. J. WILLIAM STANTON. Mr. Chairman, will the gentleman yield?

Mr. WYLIE. I yield to the gentleman from Ohio (Mr. J. WILLIAM STANTON).

Mr. J. WILLIAM STANTON. Mr. Chairman, I wish to associate myself with the gentleman's remarks and point out to the committee that the gentleman in the well has indeed worked hard in our subcommittee and worked extensively on this bill.

Mr. Chairman, I urge adoption of the bill.

Mr. WYLIE. Mr. Chairman, I thank the gentleman for his support and would ask that H.R. 8835 be passed in its present form.

Mrs. SPELLMAN. Mr. Chairman, I have no requests for time.

Mr. WYLIE. Mr. Chairman, I yield 3 minutes to the gentleman from Virginia (Mr. BUTLER).

Mr. BUTLER. Mr. Chairman, I have a few questions of the gentleman from Ohio.

I would like to explain to the gentleman that before I came to Congress I worked for a living practicing law. One of the greatest experiences for lawyers was the truth in lending bill. I think maybe the printers came out better than the lawyers, but it was close. It was quite an experience for the American people and the consumers who were the intended beneficiaries.

What concerns me at the moment is how much thought has gone into this bill? As I read the truth in leasing legislation, it is concerned only with consumer transactions. Just what percentage of the leasing arrangements are really consumer oriented and how many are business oriented? What percentage of the leasing market are we talking about at the moment we consider this legislation?

Mr. WYLIE. Mr. Chairman, I cannot answer the gentleman's question as to how much of the market is concerned with leasing, because that is not a relevant issue here. I do not believe we got into a percentage figure of how many automobiles are leased or how many automobiles are sold; but the amount of automobiles which are in use as a result of the lease arrangement has increased considerably since the passage of the truth in lending bill because of this so-called loophole to which I referred a little earlier.

Mr. BUTLER. If the gentleman will yield further, and if I may have his attention.

Mr. WYLIE. Yes, surely.

Mr. BUTLER. How many hearings were held on this legislation?

Mr. WYLIE. Well, we worked on the bill for 2 full days, 1 full day was taken for extensive hearings before the Consumer Affairs Subcommittee. Another full day was used for markup.

Now, that sort of belies the fact a little bit, because we met most of the day during those 2 days. We met in the morning and in the afternoon. We held extensive hearings on the truth in lending bill in the 92d and the 93d Congresses; so this is a subject that is not necessarily new to most of us, as the gentleman can see.

The idea of this bill is to protect the consumer in the disclosure of any financial arrangement insofar as a lease is concerned. Whatever the percentage does not seem all that important to me. If there are abuses in the field as far as consumer leases are concerned, then we ought to clear up those abuses.

Now, unfortunately, there are occasionally rotten apples in the barrel and we have to pass legislation to protect the unwary consumer against those persons who would take advantage of a loophole in the law. Most persons who lease equipment on a short- or long-term basis disclose the finance charges, the interest charges, and the consumer knows exactly what his costs are going to be in the end.

Unfortunately, there are those who found they did not have to disclose lease terms under the truth in lending bill and did not disclose.

It is to that end that we are here today trying to require those who did not otherwise feel the responsibility to protect the consumer, or allow the consumer the benefit of shopping around, by trying to find the best arrangement in the lease of an automobile for instance.

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

Mr. WYLIE. Mr. Chairman, I yield 5 additional minutes to the gentleman from Virginia.

Mr. BUTLER. Of course, the problem with the truth in lending bill was that whether one had a true lease or not, a lessor was not burdened with the provisions of the Truth in Lending Act. As I view this legislation, we have put that question to rest by requiring that in a lease situation we have to make certain disclosures, and in lending situations we have to make certain other sets of disclosures. It seems to me that we have now placed the lender or the lessor in the position in which he is going to have to decide whether he is going to be a lender or lessor, and it is not always clear under the law which he is.

Does the gentleman not think that what he has done in this instance, in those marginal cases, placed that person who was a lender or lessor in a position where he is going to have to comply not only with the truth in lending law, as far as financial charges and rates of interest, but also the leasing law, with balloon payments and all those other things?

Are we not tremendously burdening the financial activities of this country without receiving a full showing that there is a real need for this legislation? That is what concerns me. It is such a burden to place on business without a very convincing showing that this is a major problem. That is what disturbs me at the moment, having lived through truth in lending.

Mr. WYLIE. I think I may not have responded precisely to the gentleman's question a little earlier when he asked what percentage of commercial leases are involved in this bill. Did he use the term "commercial leases"?

Mr. BUTLER. My question was, if I may rephrase it, what percentage of the leasing is required to be disclosed? This problem is mostly commercial and not consumer.

Mr. WYLIE. Most leasing is commercial, and we do not deal with commercial leases in this bill. We did not find any abuses in the commercial leasing field where the lessee on the other side usually was a sophisticated businessman who leased large fleets of automobiles or heavy equipment on a short-term basis.

This bill only concerns itself with the consumer side of leasing where a person involved leases an automobile or refrigerator, usually on a short-term basis with an option to buy at the end of the lease. So, the percentage of the total leasing business in the United States is not a relevant issue.

Mr. BUTLER. That is exactly my point. We are burdening the entire leasing industry for the benefit of a few, a modest few. I am disappoined that the gentleman cannot tell me how many people are going to get the benefit of this legislation. If the record does not show it, then I would suggest that there has not been sufficient preparation by the subcommittee and committee when this bill was brought before them. I would be sympathetic with the burdened lessees, but I am not sure that as many of them exist as the gentleman has led us to believe.

Mr. WYLIE. I do not think the gentleman's question is relevant at this point. This is supposed to be a consumer protection bill, and the fact is that we do not concern ourselves with the commercial side of the leasing business, which, as I say, I did not answer precisely a little earlier, but rather that we are concerning ourselves with the consumer leasing business, and it only involves individuals on an individual basis for consumer purposes.

I think it is a proper subject for this Congress, and it is appropriate that we try to protect the consumer, which is what we did in the truth in lending bill. I have not found any great amount of objection to the truth in lending bill as we passed it and amended it since 1968. The only objection has come in this area of leasing where certain persons who are in the leasing business, who avoided cost disclosures to consumers because such disclosures were not required for leases. It is not our intention to close this loophole that lessors have abused by applying truth-in-lending laws to consumer leasing.

It is in that area we are attempting to aid the consumer, and it is not in the area of the large corporation which leases commercial equipment on a continuing basis for business purposes.

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

Mr. WYLIE. Mr. Chairman, I yield 1 additional minute to the gentleman from Virginia (Mr. BUTLER).

Mr. BUTLER. Mr. Chairman, I will not beat this dead horse any further. I would just like to state for the record that I think this legislation represents a solution to a problem which has not been found to exist. For that particular reason, I wolld not burden the statutes of this country and the lessors and lessees of this country with further paperwork; and I will vote against it.

Mr. WYLIE. Mr. Chairman, I yield such time as he may consume to the gentleman from Ohio (Mr. KINDNESS).

Mr. KINDNESS. Mr. Chairman, I thank the gentleman for yielding, and I would just rise again with a note of caution for the Members of the House to consider: That in the bill before us we have another attempt to enter an area of the law which is properly within the jurisdiction of the States.

Mr. Chairman, it seems to be a habit that here in these hallowed halls, where the Constitution provides that there are certain powers enumerated to the Federal Government and the remainder of those powers under the 10th amendment to the Constitution are retained by the States and by the people, we constantly step over that line.

Sure, there are court decisions that justify it. But let me ask: What is the protection of the consumer involved in this bill, when it is "the consumer" who has the custody of the leased article in question?

It is not a matter of protecting someone from not obtaining or not having possession of the article of personal property in question, and it is not a matter of having paid in advance for something which is not readily available for use. The individual, the "consumer", as the term is being used in the debate here to describe the person involved, has the control of the property and indeed has control of the money.

The one good thing I can see about the bill is that it will tend to make less available that ready sort of credit which has caused many an American family to go beyond their limitations in spending. In other words, if one happens to be a person who would like to have a ready availability of this type of credit for leasing personal property, one is going to find it less available. In the short run, that does not mean very much because that sort of money is not all that readily available in our economy now anyway. But if we reach a normal sort of economy within a few years, this form of financing is just likely to be that much less available, and perhaps that is all to the good.

Mr. WYLIE. Mr. Chairman, I yield myself 2 additional minutes.

Mr. Chairman, just to set at ease the mind of my friend, the gentleman from Virginia (Mr. BUTLER), if I can, we found during our hearings that most persons, for example, in the 23 States where these lease arrangements are already permitted, did exactly what is required in this bill, that they had no problem with the so-called additional paperwork to which the gentleman referred. As a matter of fact, most persons and corporations involved in the leasing business of automobiles and hard goods would be complying with this bill.

Mr. Chairman, I am not sure if there

is anything to be learned from this, but unfortunately most of the abuses were found in the area of the used-car dealer who was attempting to lease his automobile and found a way to do that and yet he did not have to disclose the finance charges or the interest charges until the end of the lease. On many occasions, the lessee paid the monthly payments and at the end of the time found he could not afford the large balloon payments.

We found that the problem did not exist on a widespread basis, and we found that it existed primarily in the State of Connecticut, and we felt that the problem, having existed in the State of Connecticut, might spread to the other 23 States. So we thought it was time that we close that loophole which the used-car dealers had taken advantage of.

That is the purpose of the bill, and that is why we are here today. I think it is a good bill. I do not think it will require a great deal of paperwork. I can understand the gentleman's concern in that regard because I have fought against excessive regulations of the Federal Government, and I know that many small businessmen are burdened by special rules and regulations. However, I do not think that will be the case in this bill.

Mrs. SPELLMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from the District of Columbia (Mr. FAUNTROY).

Mr. FAUNTROY. Mr. Chairman, the bill which you have before you is a product that results from the failure of too many merchants to deal honestly with the consuming public. The recent trends toward the leasing of automobiles and other kinds of merchandise by increasing numbers of Americans who have not received the kinds of adequate information which we have found that can be provided in such legislation such as the Truth in Lending Act compels your committee to act to assure that the enticements and the contracts are neither misleading not uninformative.

During our investigation, the committee found that many of the advertisements failed to state that the lessee would be responsible for the full depreciated value of the automobile at the end of the lease term less a deduction for what he paid. This meant that, at the end of the lease term, a lessee would be required to either renew the lease thereby depriving himself of the primary reason for entering into the lease, which is to assure oneself of a new car on a periodic basis at a reasonable cost or pay with cash money the difference. The latter destroys the financial incentive for a lease because it is the same as a balloon payment. Indeed, if one were to consider a lease an extension of credit, the large end-of-lease-payment is the same as a balloon payment.

It is for this reason, to correct these abuses, that your committee has reported a bill which limits the residual payments to three times an amount determined by dividing the total of scheduled payments by the number of months of the lease contract.

As more and more Americans enter into leasing arrangements for additional kinds of goods and services, it becomes increasingly imperative that they be able to contract with the confidence that they have learned to expect in financial transactions. We must not assume that every American has easy access to a lawyer or to an accountant. We must not assume that every American will have the expertise to know what questions to ask or to ascertain which offering to him is the best when they are made in a variety of different terms and manners.

One of the things that sets an open market economy apart from others is the nature of the competition. Competition is available, theoretically, only when the goods are identical and the information perfect. We cannot—and we should not necessarily make the goods identical—but we can make the information more nearly consistent and thus give the buyer better information to use in shopping. If we are to preserve our market places and our economic system, we must assure that competition is able to flourish without undue hindrances of false advertising or false and misleading information.

While not everyone who receives this data will use it in comparison shopping, it is fair to contemplate that the data will tend to assure that the quoted price is the best that this dealer can normally provide since he will have no way of knowing what shopping has already been done or may be done. Thus, this legislation will tend to have an impact upon consumer prices and upon the truthfulness of the information provided whether or not it is used.

As the representative of an urban constituency whose residents are constantly beseiged with advertisements that urge them to spend more to improve their lives—some of the offerings being of questionable improvements in life—I know the feelings of pressures that leased goods and services bring. I want to lessen that pressure with the help of this legislation.

I am not unaware of the controversy which surrounds the issue of whether or not this legislation will prohibit banks from engaging in closed end leases for under this legislation all leases may be read as closed end. Since the questions of personal property leasing continues to be litigated in the courts, however, it is best that the issue not be resolved in this legislation. It can be resolved in the courts and if, after appropriate hearings, we find that the court decisions do not comport with the economic facts as we understand them, we can amend the law. That issue is too important for us to resolve here since this bill is only intended to provide each consuming American with information and does not speak at all to whether banks should finance these consumables.

I urge support for this legislation and for the fine work which the subcommittee has done in getting this bill to the floor.

Mr. WYLIE. Mr. Chairman, I have further requests for time.

The CHAIRMAN. There being no further requests for time. the Clerk will read.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

DECLARATION OF PURPOSE.

SECTION 1. The Congress finds that there has been a recent trend toward leasing automobiles and other durable goods for consumer use as an alternative to installment credit sales and that these leases have been offered without adequate cost disclosures. It is the purpose of this Act to assure a meaningful disclosure of the terms of leases of personal property primarily for personal, family, or household purposes so as to enable the lessee to compare more readily the various lease terms available to him, limit balloon payments in consumer leasing, enable comparison of lease terms with credit terms where appropriate, and to assure meaningful and accurate disclosures of lease terms in advertisements.

DISCLOSURE OF LEASE TERMS

SEC. 2. The Truth in Lending Act (15 U.S.C. 1601–65) is amended by adding at the end thereof a new chapter as follows:

"CHAPTER 5—CONSUMER LEASES

"§ 180. Short title

"This chapter may be cited as the 'Truth in Leasing Act'.

"§ 181. Definitions

"For the purposes of this chapter:

"(a) The term 'consumer lease' means a contract in the form of a lease or bailment for the use of personal property (other than farm equipment) by a natural person for a period of time exceeding four months, and for a specified rent not exceeding $25,000, primarily for personal, family, or household purposes, whether or not the lessee has the option to purchase or otherwise become the owner of the property at the expiration of the lease, except that any lease included in the definition of 'credit sale' in section 103 (g) of the Truth in Lending Act shall not be subject to this chapter.

"(b) The term 'lessee' means a natural person who leases or is offered a consumer lease.

"(c) The term 'lessor' means a person who is regularly engaged in leasing, offering to lease, or arranging to lease under a consumer lease.

"(d) The term 'personal property' means any property which is not real property under the laws of the State where situated at the time offered or otherwise made available for lease.

"(e) The terms 'security' and 'security interest' means any interest in property which secures payment or performance of an obligation.

"§ 182. Consumer lease disclosures

"With respect to a consumer lease, the lessor shall give the lessee prior to the consummation of the lease a dated written statement on which the lessor and lessee are identified setting out in a clear and conspicuous manner the following information, as applicable:

"(a) a brief description or identification of the leased goods, including the year of manufacture, the manufacturer of the goods, and the registration number and model number of the goods;

"(b) the amount of any payment by the lessee required at the inception of the lease;

"(c) the amount paid or payable by the lessee for official fees, registration, certificate of title, or license fees or taxes;

"(d) the amount of other charges payable by the lessee not included in the periodic payment, a description of the charges and that the lessee shall be liable for the differential, if any, between the anticipated fair market cash value of the leased goods and their appraised actual value at the termination of the lease, if the lessee has such liability;

"(e) a statement identifying and describing all warranties and guaranties by the manufacturer or the lessor with respect to the leased goods (and if none apply, a statement to that effect) and the party responsible for maintaining or servicing the leased goods together with a description of the responsibility;

"(f) a brief description of insurance provided or paid for by the lessor and/or required of the lessee, including the types and amounts of the coverages and costs;

"(g) a description of any security interest held or to be retained by the lessor in connection with the lease and a clear identification of the property to which the security interest relates;

"(h) the number, amount, and due dates or period of payments under the lease and the total amount of such periodic payments;

"(i) a statement of the conditions under which the lessee or lessor may terminate the lease prior to the end of the term and the amount or method of determining any penalty or other charge for delinquency, default, or early termination;

"(j) a statement of the liabilities the lease imposes upon the lessee at the end of the term and whether or not the lessee has the option to purchase the leased goods and at what price and time;

"(k) the default, delinquency, or similar charges payable in the event of late payments, whether they are periodic rent payments, or a final balance payment;

"(l) the fair market cash value of the leased goods at the inception of the lease, the aggregate cost of the lease, and the differential between them; and

The disclosure required by this section shall be made before the lease is signed, and shall be made by disclosing this information in the lease contract, a copy of which shall be provided to the lessee when executed.

"§ 183. Limitations of liability

"(a) Except in event of substantial damage or default, no liability of the lessee under the terms of a consumer lease for any payment upon expiration or termination of a lease may exceed three times an amount determined by dividing the total of scheduled payments by the number of months in the term of the lease. A consumer lease within the meaning of this Act shall be considered to be the functional equivalent of an extension of credit or a loan on personal security if the lessee's liability at the conclusion of the lease does not exceed three times the average monthly lease payment.

"(b) If a lease has a residual value provision at the termination of the lease, the lessee may obtain at his expense, a professional appraisal of the leased goods by an individual third party agreed to by both parties. Such appraisal shall be final and binding on the parties.

"§ 184. Consumer lease advertising

"(a) No advertisement to aid, promote, or assist directly or indirectly any consumer lease shall state the amount of any payment, the number of required payments, or that any or no downpayment or other payment is required at inception of the lease unless the advertisement also states clearly, conspicuously, and in equal size print, and in accordance with regulations issued by the Board each of the following items of information which is applicable:

"(1) the transaction advertised is a lease;

"(2) the amount of any payment required at inception of the lease, if any;

"(3) the number, amounts, due dates or periods of scheduled payments, and the total of payments under the lease;

"(4) that the lessee shall be liable for the differential, if any, between the anticipated fair market cash value of the leased goods and their appraised actual value at the termination of the lease, if the lessee has such liability.

"(b) There shall be no liability under this section on the part of any owner or personnel, as such, of any medium in which an advertisement appears or through which it is disseminated.

"§ 185. Civil liability

"(a) Except as otherwise provided by this section, any lessor who fails to comply with any requirement imposed under this chapter with respect to any person shall be liable to such person in an amount equal to the sum of—

"(1) any actual damages sustained by such person as a result of the failure;

"(2)(A) in the case of an individual action five times the amount attributable to a monthly payment under the lease except that liability under this subparagraph shall not be less than $100 nor greater than $1,000; or

"(B) in the case of a class action, such amount as the court may allow, except that as to each member of the class no minimum recovery shall be applicable, and the total recovery in such action shall not be more than the lesser of $100,000 or 1 per centum of the net worth of the lessor; and

"(3) in the case of a successful action to enforce the foregoing liability, the costs of the action, together with a reasonable attorney's fee as determined by the court.

In determining the amount of award in any class action, the court shall consider, among other relevant factors, the amount of any actual damages sustained, the frequency and persistance of failure of compliance by the lessor, the resources of the lessor, the number of persons adversely affected, and the extent to which the lessor's failure of compliance was intentional.

"(b) A lessor shall not be liable under this section if within fifteen days after discovery of an error, and prior to the institution of an action under this section or the receipt of written notice of the error, the lessor notifies the person concerned of the error and makes whatever adjustments in the appropriate account are necessary to insure that the person will not be required to pay any amount in excess of the amount that should correctly have been disclosed.

"(c) A lessor may not be held liable in any action brought under this section for a violation of this chapter if the lessor shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adopted to avoid any such error and such error has been rectified.

"(d) Except as otherwise specifically provided in this chapter, any civil action for a violation of this chapter which may be brought against the original lessor in any lease transaction may be maintained against any subsequent assignee of the original lessor where the violation from which the alleged liability arose is apparent on the face of the instrument assigned unless the assignment is involuntary.

"(e) A person may not take any action to offset any amount for which a lessor is potentially liable to such person under subsection (a)(2) against any amount owing to such lessor by such person, unless the amount of the lessor's liability to such person has been determined by judgment of a court of competent jurisdiction in an action to which such person was a party.

"(f) No provision of this section imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule, regulation, or interpretation thereof by the Board, notwithstanding that after such act or omission has occurred, such rule, regulation, or interpretation is amended, rescinded, or determined by judicial or other authority to be invalid for any reason.

"(g) The multiple failure to disclose any information required under this chapter to be disclosed in connection with a single lease transaction shall entitle the person to a single recovery under this section, but continued failure to disclose after a recovery has been granted shall give rise to rights to additional recoveries.

"(h) Any action under this section may be brought in any United States district court or in any other court of competent jurisdiction. Such actions alleging a failure to disclose or otherwise comply with the requirements of this chapter shall be brought within one year of the termination of the lease agreement.".

CONFORMING AMENDMENTS

SEC. 3. Section 123 of the Truth in Lending Act (15 U.S.C. 1633) is amended by inserting "(a)" immediately before "The" and by adding at the end thereof the following new subsection:

"(b) The Board shall by regulation exempt any State from the provisions of chapter 5 of this title (except section 185(1), if it determines that under the law of that State, requirements and restrictions are substantially similar to those imposed under chapter 5 and that there is adequate provision for enforcement."

EFFECTIVE DATE

SEC. 4. The amendments made by this Act shall take effect upon the expiration of one year after the date of its enactment.

Mrs. SPELLMAN (during the reading). Mr. Chairman, I ask unanimous consent that 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 gentlewoman from Maryland?

There was no objection.

COMMITTEE AMENDMENTS

The CHAIRMAN. The Clerk will report the first committee amendment.

The Clerk proceeded to read the first committee amendment.

Mrs. SPELLMAN (during the reading). Mr. Chairman, I ask unanimous consent that the committee amendments be considered as read, considered en bloc, and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentlewoman from Maryland?

There was no objection.

The committee amendments are as follows:

Committee amendments: On page 2, line 18, after the quotation marks and before "For" insert "(a)".

On page 2, line 19, strike out "(a)" and insert "(1)".

On page 3, line 5, strike out "(b)" and insert "(2)".

On page 3, line 7, strike out "(c)" and insert "(3)".

On page 3, line 10, strike out "(d)" and insert "(4)".

On page 3, line 14, strike out "(e)" and insert "(5)".

On page 3, immediately after line 16, insert the following:

(b) Nothing in this chapter shall be deemed to constitute a congressional finding or determination as to the permissibility or impermissibility of the making of a consumer lease, as defined herein, by a national bank or bank holding company or bank holding company subsidiary.

On page 4, line 9, strike out "payment" and insert "payments".

On page 4, line 22, strike out "and/".

On page 5, at the end of line 21, strike out "and".

On page 5, line 23, strike out the period and insert "; and".

On page 5, immediately after line 23, insert the following:

(n)(1) In the case of a special order item whose price may be subject to change by reason of manufacturing decisions, the disclosure statement shall be the best and/or last available reliable price carrying with it a clear and conspicuous notation that it is or may be subject to change but only to the amount of change which corresponds with the change in the manufacturer's price. Official fees, registration, certificate of title or license fees or taxes whose rates are computed on the base amount of the special order item shall also be clearly and conspicuously noted and unless so noted shall not change from the best and/or last available amount which shall be shown in the least contract.

(2) Any information subject to change with respect to subsection (1) of this subsection shall be incorporated into the lease contract at the time of delivery of the leased goods.

(3) Where a special order item whose registration number or model number are not available at the time of the execution of the lease agreement, it shall be clearly and conspicuously noted upon the contract and subsequently incorporated into the contract at the time of delivery of the leased goods.

On page 6, line 4, strike out "substantial damage" and insert "physical damage beyond reasonable wear and use".

On page 6, beginning in line 9, strike out "A consumer" and all that follows down through "lease payment." in line 13.

On page 6, line 17, strike out "individual" and insert "independent".

On page 7, at the end of line 8, insert "and".

On page 11, line 3, strike out "185(i)" and insert "185(h)".

The committee amendments were agreed to.

Mr. ROUSSELOT. Mr. Chairman, I rise in opposition to H.R. 8835, a bill which should provide sufficient disclosure to afford protection to the consumer but will also retain sufficient flexibility to recognize good faith compliance with the law. The purpose should be to fully disclose the terms of a proposed transaction without limiting the freedom of the consumer to make such contracts as he believes will be beneficial to him.

It is in this regard that I must express my concern regarding the likely effect of the provision in this bill which limits the lessee's liability upon termination of a lease to three times the average monthly payment. My concern is that this limitation of liability provision, together with recent court decisions which limit the power of banks, to offer lease arrangements under which the banks look to any extent to the residual value of the property for its financial return, may effectively drive banks from the leasing business.

Such a result would, in my judgment, be detrimental to consumer interests, because it would take away the opportunity to defer the "down payment" to the end of the credit period and to use the residual value of the property as security for this "balloon" payment. As long as the terms and conditions of the transaction are fully disclosed, legislative action should not foreclose the availability of this alternative form of financing to consumers. Neither would it promote competition or the interest of consumers to eliminate an entire class of competitor, commercial banks, from access to this important segment of the consumer credit market.

Accordingly, in order that it should be made clear that Congress does not intend through this legislation to eliminate banks from the leasing field, I endorse the following language, which is contained in the Senate version of the bill:

The making of a consumer lease, within the meaning of this Act, shall not be deemed to be an impermissible activity for a national bank or a bank holding company subsidiary, where the making of such a lease is otherwise permissible under applicable laws and regulations, solely because the lessee's liability at the conclusion of the lease is limited in accordance with the provisions of this section.

It is my concern that in passing this well-intended bill we could well be creating another RESPA type quagmire in which subsequent regulations could hurt consumers rather than protect them.

The CHAIRMAN. Are there further amendments to the bill?

If not, under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. ROUSH, 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. 8835) to amend the Truth in Lending Act to protect consumers against inadequate and misleading leasing information, assure meaningful disclosure of lease terms, and limit ultimate liability in connection with leasing of personal property primarily for personal, family, or household purposes, and for other purposes, pursuant to House Resolution 816, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

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

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. WYLIE. 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 339, nays 41, answered "present" 2, not voting 51, as follows:

[Roll No. 643]

YEAS—339

Abdnor	Erlenborn	Madigan
Adams	Eshleman	Maguire
Addabbo	Evans, Colo.	Mahon
Alexander	Evans, Ind.	Mann
Ambro	Evins, Tenn.	Martin
Anderson, Calif.	Fascell	Matsunaga
Anderson, Ill.	Fenwick	Meeds
Andrews, N.C.	Findley	Melcher
Andrews, N. Dak.	Fish	Metcalfe
Ashbrook	Fisher	Mezvinsky
Ashley	Fithian	Michel
Aspin	Flood	Mikva
Badillo	Florio	Miller, Calif.
Bafalis	Flowers	Mills
Baldus	Foley	Mineta
Barrett	Ford, Tenn.	Minish
Baucus	Fountain	Mitchell, Md.
Beard, R.I.	Frenzel	Mitchell, N.Y.
Beard, Tenn.	Frey	Moakley
Bedell	Fuqua	Moffett
Bell	Gaydos	Mollohan
Bennett	Giaimo	Montgomery
Bergland	Gilman	Moore
Bevill	Goldwater	Moorhead, Calif.
Biaggi	Gonzalez	Moorhead, Pa.
Biester	Goodling	Morgan
Bingham	Gradison	Mosher
Blanchard	Grassley	Moss
Blouin	Gude	Motti
Boggs	Guyer	Murphy, Ill.
Boland	Hagedorn	Murtha
Bolling	Haley	Myers, Pa.
Bonker	Hall	Natcher
Bowen	Hamilton	Neal
Brademas	Hammer-schmidt	Nichols
Breckinridge	Hanley	Nix
Brodhead	Hannaford	Nolan
Brooks	Harkin	Nowak
Broomfield	Harrington	Oberstar
Brown, Calif.	Harris	Obey
Brown, Mich.	Hawkins	O'Brien
Broyhill	Hayes, Ind.	O'Hara
Burgener	Hays, Ohio	O'Neill
Burke, Calif.	Hechler, W. Va.	Ottinger
Burke, Mass.	Heckler, Mass.	Passman
Burlison, Mo.	Hefner	Patman, Tex.
Burton, John	Heinz	Patterson, Calif.
Burton, Phillip	Helstoski	Pepper
Carney	Henderson	Perkins
Carr	Hicks	Pettis
Carter	Hightower	Peyser
Casey	Hillis	Pickle
Chappell	Hinshaw	Pike
Chisholm	Holland	Pressler
Clancy	Holtzman	Preyer
Clausen, Don H.	Howard	Price
Clawson, Del	Howe	Pritchard
Clay	Hubbard	Quie
Cohen	Hungate	Railsback
Collins, Ill.	Hutchinson	Randall
Conte	Hyde	Rangel
Conyers	Jacobs	Rees
Corman	Jeffords	Reuss
Cornell	Jenrette	Rhodes
Cotter	Johnson, Calif.	Richmond
Coughlin	Johnson, Pa.	Riegle
D'Amours	Jones, N.C.	Rinaldo
Daniel, Dan	Jones, Okla.	Risenhoover
Daniel, R. W.	Jones, Tenn.	Robinson
Daniels, N.J.	Jordan	Rodino
Danielson	Karth	Roe
Davis	Kasten	Rogers
de la Garza	Kastenmeier	Rooney
Delaney	Kazen	Rose
Dellums	Kemp	Rosenthal
Dent	Keys	Rostenkowski
Derrick	Koch	Roush
Derwinski	Krebs	Roybal
Devine	Krueger	Ruppe
Diggs	LaFalce	Russo
Dingell	Lagomarsino	Ryan
Dodd	Latta	St Germain
Downey, N.Y.	Leggett	Santini
Downing, Va.	Levitas	Sarbanes
Drinan	Lloyd, Calif.	Schneebeli
Duncan, Tenn.	Lloyd, Tenn.	Schroeder
du Pont	Long, La.	Schulze
Early	Long, Md.	Sebelius
Eckhardt	McClory	Seiberling
Edgar	McCloskey	Sharp
Edwards, Ala.	McCormack	Shipley
Edwards, Calif.	McFall	Shriver
Eilberg	McHugh	Sikes
Emery	McKay	Simon
English	McKinney	Skubitz
	Macdonald	Slack
	Madden	

Smith, Iowa	Talcott	Whitten
Smith, Nebr.	Taylor, N.C.	Wilson, Bob
Snyder	Teague	Wilson, C. H.
Spellman	Thompson	Wilson, Tex.
Spence	Thone	Winn
Staggers	Thornton	Wolff
Stanton, J. William	Traxler	Wright
	Tsongas	Wydler
Stanton, James V.	Ullman	Wylie
	Van Deerlin	Yates
Stark	Vander Jagt	Yatron
Steed	Vander Veen	Young, Alaska
Steiger, Wis.	Walsh	Young, Fla.
Stephens	Wampler	Young, Ga.
Stokes	Waxman	Young, Tex.
Stuckey	Weaver	Zablocki
Studds	White	Zeferetti
Sullivan	Whitehurst	

NAYS—41

Archer	Hansen	Miller, Ohio
Armstrong	Harsha	Myers, Ind.
AuCoin	Hastings	Pattison, N.Y.
Bauman	Holt	Poage
Burleson, Tex.	Hughes	Roberts
Butler	Ichord	Rousselot
Byron	Johnson, Colo.	Runnels
Cochran	Kindness	Satterfield
Collins, Tex.	Landrum	Shuster
Conable	Lott	Symms
Crane	McCollister	Taylor, Mo.
Flynt	McDonald	Treen
Forsythe	McEwen	Waggonner
Gibbons	Mathis	

ANSWERED "PRESENT"—2

Lehman	Quillen

NOT VOTING—51

Abzug	Green	Patten, N.J.
Annunzio	Hébert	Regula
Breaux	Horton	Roncalio
Brinkley	Jarman	Sarasin
Brown, Ohio	Jones, Ala.	Scheuer
Buchanan	Kelly	Sisk
Burke, Fla.	Ketchum	Solarz
Cederberg	Lent	Steelman
Cleveland	Litton	Steiger, Ariz.
Conlan	Lujan	Stratton
Dickinson	McDade	Symington
Duncan, Oreg.	Mazzoli	Udall
Esch	Meyner	Vanik
Fary	Milford	Vigorito
Ford, Mich.	Mink	Whalen
Fraser	Murphy, N.Y.	Wiggins
Ginn	Nedzi	Wirth

The Clerk announced the following pairs:

Mr. Annunzio with Mr. Brinkley.
Ms. Abzug with Mr. Wiggins.
Mr. Breaux with Mr. Jarman.
Mr. Hébert with Mr. Sarasin.
Mr. Sisk with Mr. Kelly.
Mr. Vanik with Mr. Brown of Ohio.
Mr. Green with Mr. Horton.
Mr. Roncalio with Mr. Regula.
Mr. Patten with Mr. Steelman.
Mr. Vigorito with Mr. Scheuer.
Mr. Wirth with Mr. Buchanan.
Mr. Murphy of New York with Mr. Jones of Alabama.
Mr. Nedzi with Mr. Steiger of Arizona.
Mrs. Mink with Mr. Lent.
Mr. Fary with Mr. Burke of Florida.
Mrs. Meyner with Mr. Litton.
Mr. Solarz with Mr. Cederberg.
Mr. Ford of Michigan with Mr. Cleveland.
Mr. Fraser with Mr. Lujan.
Mr. Ginn with Mr. McDade.
Mr. Symington with Mr. Dickinson.
Mr. Stratton with Mr. Esch.
Mr. Udall with Mr. Duncan of Oregon.
Mr. Mazzoli with Mr. Conlan.
Mr. Milford with Mr. Whalen.

Mr. ROSENTHAL changed his vote from "nay" to "yea."

Mr. LEHMAN changed his vote from "yea" to "present."

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mrs. SPELLMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and include extraneous matter on the bill H.R. 8835 just passed.

The SPEAKER. Is there objection to the request of the gentlewoman from Maryland?

There was no objection.

PERSONAL EXPLANATION

Mr. STEELMAN. Mr. Speaker, I failed to vote when the bill just passed was called for a vote, the Truth in Leasing Act (H.R. 8835). Had I been present, I would have voted "aye."

I ask that my statement appear in the RECORD just following the rollcall vote.

NATIONAL PRODUCTIVITY AND QUALITY OF WORKING LIFE ACT OF 1975

Mr. LONG of Louisiana. Mr. Speaker, by direction of the Committee on Rules I call up House Resolution 818 and ask for its immediate consideration.

The Clerk read the resolution as follows:

H. RES. 818

Resolved, That upon the adoption of this resolution it shall be in order to 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 (S. 2195) to establish a National Center for Productivity and Quality of Working Life; to provide for a review of the activities of all Federal agencies including implementation of all Federal laws, regulations, and policies which impede the productive performance and efficiency of the American economy; to encourage joint labor, industry, and Government efforts to improve national productivity and the character of working conditions; to establish a Federal policy with respect to continued productivity growth and improved utilization of human resources in the United States; and for other purposes. After general debate, which shall be confined to the bill and shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking, Currency and Housing, the bill shall be read for amendment under the five-minute rule by titles instead of by sections. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The SPEAKER. The gentleman from Louisiana (Mr. LONG) is recognized for 1 hour.

Mr. LONG of Louisiana. Mr. Speaker, I yield 1 minute to the gentleman from Connecticut (Mr. MOFFETT).

(By unanimous consent (at the request of Mr. LONG of Louisiana) Mr. MOFFETT was allowed to speak out of order.)

HEARINGS ON H.R. 10315 AND H.R. 9868 "GOVERNMENT IN THE SUNSHINE" LEGISLATION

Mr. MOFFETT. Mr. Speaker, on November 6 and 7, the Subcommittee on Government Information and Individual Rights will begin hearings on "Government in the Sunshine" legislation, including H.R. 10315 and H.R. 9868.

This legislation would, with certain exceptions, require that all meetings of multimember Federal agencies be open to the public and would require that any closing of a portion of a meeting be by a recorded vote of a majority of the commissioners. The result of the vote and the reason for the closing would be available to the public.

The hearings will be held in room 2247 of the Rayburn Building and will commence at 10 a.m. on November 6 and at 9 a.m. on November 7. Persons wishing to testify or submit written statements for the record should communicate with Eric Hirschhorn, counsel to the subcommittee, in room B-349C of the Rayburn Building.

Because of the death of the mother of Ms. ABZUG, our chairwoman, both of the hearings previously announced for this week will be postponed. Today's hearing was to have been on the subject of FBI recordkeeping systems and the hearing scheduled for Thursday, October 30, was to have been on recordkeeping activities of the National Archives and Records Service, with particular emphasis on records of Presidential commissions such as the Warren Commission. These two hearings should be rescheduled shortly, and announcement of the new dates, times and places will be made as soon as possible.

Mr. LONG of Louisiana. Mr. Speaker, I yield the usual 30 minutes for the minority to the distinguished gentleman from California (Mr. DEL CLAWSON), pending which I yield myself such time as I may consume.

Mr. Speaker, House Resoluton 818 provides for an open rule with 1 hour of general debate on S. 2195, a bill which establishes a national policy to encourage productivity growth in all sectors of the economy. This bill creates an independent National Center for Productivity and Quality of Working Life which will focus, coordinate, and promote efforts to improve the rate of national productivity growth.

One of the Nation's most important and least understood economic problems during the last decade has been a declining rate of productivity growth. The establishment of this Center as provided for in S. 2195 should help us to improve that productivity growth rate and this should in turn help us to get a better handle on some of our economic problems facing the country.

The bill provides for a total 3-year authorization of $16.25 million: $6.25 for 1976, plus the 3-month transition period; $5 million for 1977; and $5 million for 1978.

Mr. Speaker, I urge the adoption of House Resolution 818 in order that we may discuss and debate S. 2195.

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

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

Mr. Speaker, House Resolution 818 provides for 1 hour of equally divided general debate on S. 2195, the National Productivity and Quality of Working Life Act of 1975. The bill shall be read, for germane amendments under the 5-minute rule, by titles instead of by sections. There are no waivers of points of order.

The purpose of S. 2195 is to create an independent National Center for Productivity and Quality of Working Life, replacing the National Commission on Productivity and Work Quality, and to establish a national policy to encourage productivity in all sectors of the economy.

The new Center will develop an overall national productivity policy and coordinate Federal departments and agencies to carry out policies as set forth for the Government.

The cost is estimated at approximately $16,250,000 over the next 3 years. Since the funds of the Commission on Productivity and Work Quality, $2,000,000, will be incorporated into the National Center's budget, additional Federal expenditures will not be more than $10,250,000 over the next 3 years.

Mr. Speaker, I have no objection to the adoption of this rule.

Mr. LONG of Louisiana. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. ASHLEY. 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 Senate bill (S. 2195) to establish a National Center for Productivity and Quality of Working Life; to provide for a review of the activities of all Federal agencies including implementation of the Federal laws, regulations, and policies which impede the productive performance and efficiency of the American economy; to encourage joint labor, industry, and Government efforts to improve national productivity and the character of working conditions; to establish a Federal policy with respect to continued productivity growth and improved utilization of human resources in the United States; and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from Ohio (Mr. ASHLEY).

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the Senate bill (S. 2195) with Mr. ROUSH in the chair.

The Clerk read the title of the Senate bill.

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

The CHAIRMAN. Under the rule, the gentleman from Ohio (Mr. ASHLEY) will be recognized for 30 minutes, and the gentleman from Connecticut (Mr. MCKINNEY) will be recognized for 30 minutes.

The Chair recognizes the gentleman from Ohio (Mr. ASHLEY).

Mr. ASHLEY. Mr. Chairman, this legislation is the outgrowth of efforts which began with the consideration of two House bills. H.R. 6078 was introduced by Congressman MCKINNEY and myself by request of the administration. H.R. 8836 was introduced by Congressmen BLANCHARD, HUBBARD, LAFALCE, REES, Congresswoman SPELLMAN, Congressmen EVANS of Indiana, REUSS, MCKINNEY, J. WILLIAM STANTON, SCHULZE, GRADISON, KELLY, and I following hearings by the Subcommittee on Economic Stabilization. S. 2195, passed by the Senate, was considered in lieu of H.R. 8836 by unanimous consent, and the Committee on Banking, Currency and Housing unanimously ordered the bill reported by voice vote.

Our subcommittee has held extensive hearings on the subject of productivity and ways by which the Nation's efforts can be improved. We found strong bipartisan support for this legislation, as well as broad labor, management, and Government support. It has the support of the administration.

At our subcommittee's hearings, a joint statement was presented by representatives of labor, business, and Government in favor of the proposed Center. This was a phenomenon I had not witnessed in almost two decades of service with the Banking Committee. These representatives felt the Center would contribute to the strength of the American economy.

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

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

Mr. ROUSSELOT. Mr. Chairman, I appreciate my colleague yielding to me. Just so that we can keep the record straight, several of us raised questions, although I was not present when final passage did occur, about the necessity to make this in effect, a separate agency and additionally increasing the funding to $5 million. On the basis of the previous record we were not convinced that this Commission had produced that much in the way of statistics and productive work to show ways of improvements which could be made in productivity.

Therefore, I want to be sure it is understood that many of us, several of us, have real doubts about making this a separate agency. I am sure the gentleman will explain why.

Second, increasing the cost to $2½ million——

Mr. ASHLEY. The gentleman from California knows, of course, that I was not trying to misrepresent the record. The fact is, there were not any dissenting votes either at the time of adoption by the subcommittee or the full committee. Let the record show in unvarnished form that the gentleman from California was present at all times, as I recall, during the deliberation before the full committee, and asked any one of a number of penetrating questions with respect to the necessity, the desirability and the cost of the legislation before us.

Mr. ROUSSELOT. I just want to make sure the record is clear.

Mr. ASHLEY. I do not see how the gentleman from Ohio could make the record any more clear than he has.

Mr. Chairman, any effort directed at improving productivity must incorporate the efforts of management, labor, State and local governments, institutions of higher education, as well as agencies of the Federal Government. Improvements cannot be mandated—they must be brought about over a period of years with the efforts and cooperation of all segments of the economy. Productivity, by its very nature is long term—hence, the bill's 3-year authorization.

The Federal Government can provide the leadership for such a concerted effort. This bill provides a focal point for a national effort to improve America's rate of productivity growth in the form of an independent Federal agency whose role will be to coordinate and to stimulate activities in all sectors of the economy to achieve this purpose.

The focal point for the Federal Government's productivity effort will be the National Center for Productivity and Quality of Working Life, replacing the present National Commission on Productivity and Work Quality, absorbing its functions and its staff.

It is appropriate that our Nation's new productivity effort be a center rather than a commission. A center properly connotes an ongoing commitment by a country to improve its productivity and it fits the terminology commonly used by other nations. A center implies that all groups will have equal access to its programs and its capabilities, and that it will be a central point for information. A commission generally indicates a short term study group or perhaps a regulatory function, neither of which are applicable.

The legislation before you today authorizes a 3-year life for the Productivity Center, thereby overcoming the year-to-year existence of the Commission, the interruptions and funding problems of the Commission. A 3-year authorization is essential for it represents a sense of commitment by the Federal Government and permits the Center to establish a credibility in assisting and motivating representatives of labor and management to participate in its activities.

The legislation authorizes $5,000,000 per year for a 3-year period. Last year's legislation for the Commission had a $2,500,000 authorization. Several dozen new tasks and responsibilities are being added to the new Center, thus increasing its importance and justifying higher funding. Most of the Center's work, as was true with the Commission, is done through others as a catalytic agent by contract, consultants, and by volunteers, thus keeping the fulltime positions to a minimum and avoiding a large bureaucratic operation. For example, 20 such positions were authorized last year but only 14 were filled. Fulltime positions for the Center will increase but only proportionately. The Center will continue to remain a relatively small agency, stimulating and coordinating the efforts of others.

The legislation has many new and worthwhile features. One is the provision for the first time in our Government

of a single agency to coordinate the activities of other Federal agencies to stimulate efforts in the public and private sectors to improve productivity.

The Center will also be responsible for developing an overall national productivity policy in consultation with the appropriate committees of Congress and Federal agencies, and for conducting an educational program so essential to public understanding.

The Center will also make recommendations to the President and to Congress in the area of productivity improvement. The Center will have no regulatory power—it will, however, work with governmental agencies in identifying regulations that adversely affect productivity and will recommend changes.

The bill provides the Center will be an independent establishment in the executive branch, thereby dealing on a more equal basis with other Federal agencies. The Board of Directors of the Center will consist of 27 persons, as contrasted to the 25-member present Commission. Members of the Board will be representatives of labor, business, State and local governments, institutions of higher education, and so forth. A seven-member Executive Committee is provided to accommodate more frequent meetings.

The bill also provides for an evaluation of the Center's effectiveness by the General Accounting Office after 30 to 36 months of operation.

The testimony the subcommittee received pointed to the highly competitive, interdependent world in which we now live. We must maintain our competitiveness internationally if we are to protect the jobs of the American workers. We must also give attention to the design and improvement of the workplace environment. This bill provides for both of these important concerns.

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

Mr. Chairman, this bill survived a certain amount of stormy weather the last time it went through this house, and the criticism generally leveled at the agency was that we could not see what they had done. It seemed to me, when the committee examined this issue this year, that we should get some very clear ideas as to what they did, what they were doing, why it should be continued, and that we should make sure we were not just passing another boondoggle.

Without question, the administration, the business community, municipal officers, and union officials were all greatly in favor of this bill when they testified. One of the reasons they were in favor of it is that the United States at this present moment is falling further behind in productivity than any other nation in the Western circle.

It is easy to explain that it is simply inflation that is causing this falloff in productivity, but the fact remains that we have one of the lowest rates of inflation, and we have far less governmental authority and interference in such matters than do such nations as England; yet our productivity is falling behind theirs.

Then we have to ask ourselves the question: Why did we change this agency, why did we give it a bigger budget, and why did we change its name?

It is very simple. We decided that by making it a center and changing its authorization, we could No. 1, give it permanence, and No. 2, make some effectual use of it.

It has a very large board, approved by the Senate, made up of 27 people, but I think it is worthwhile to note that these people are augmented by an executive committee who will make the decisions and make the inquiries.

Then we would come to the question: Why so many? Simply because we decided it was necessary to have representatives of all areas of the economy, so that they could bring forth the problems of many different segments of the economy and decide how they could possibly be solved with help from such a center.

Then we can ask ourselves what are some of the problems that have been solved by this productivity council? What have they done? Let us take a look at some of the positive ones.

First of all, a study of the productivity council reveals that when it was in existence as a council, even with its short life, its indeterminate life, and a rather nervous existence, it has saved this Nation per major railroad about $105 million in the areas of empty freight cars, freight car usage, freight car cycling, and the whole business of handling our freight cars more efficiently.

I think that if this $105 million for each of our major transcontinental railroads alone is placed against a $5 million budget for 1 year, this is a bargain.

The Productivity Council also is responsible for the major change in shipping the food from the West to the East, which has been estimated to save not only the consumers in this time of problems within our supermarkets and the price of food, but also to save the farmers from disastrous losses they have had because of inefficient, ailing railroads and a lack of concern of knowledgeable transportation of food.

However, Mr. Chairman, one of the things that fascinates me most about this proposed legislation that is coming before us is that it mandates this new Center to continue with some of the studies that were done by the Council on the cost of Government.

Without question, if we are to look at the cost of our local community services across the country, they are probably the most inefficient, less productive of all of our agencies and spenders of moneys within this country.

Why does it cost, for instance, $40 a ton to move garbage in one city and $14 a ton to move it in another city?

The Council has engaged in an ongoing project in working with the Center. The Center is working very hard with municipal governments to come to grips with some of the greatest problems that we could possibly solve.

How does one manage a city which does not need to earn a profit or increase productivity of humane services? What kind of incentives can we give the civil servant who is guaranteed his job unless convicted of malfeasance in office, or, in turn, to get him to do his job with productivity in mind?

How can we possibly carry forth from one elected administration to another a basic form of government which will bring about productivity in city services? How in a day and age when each city is pinched for money, can we continue services at a level that is necessary for decent human life by increasing productivity rather than increasing taxes?

How can we put a level and a stabilizing influence on Civil Service employees at the local level, which are the fastest growing group of employees within the United States of America, even faster than those of the much touted and criticized Federal system?

Mr. Chairman, one other thing interests me in the setup of the Center, which I think is worthwhile going into.

This Center will be mandated by the legislative language. The comments made by the committee and brought forth to examine the regulations that pour out by the thousands from our Federal agencies, and report to the Congress and to the administration what these regulations are, and in fact, are they counterproductive, in that they will cost America productivity and efficiency in management. The very debate we heard during the last bill that was discussed, about what extra paperwork this will add is something that concerns all of us. We will add an agency that can overview a Center as to whether this regulation coming out of one of our bureaus or one of our commissions or one of our Cabinet areas is, in effect, counterproductive.

I think, Mr. Chairman, that a serious effort has been made here to set up a 3- year center of productivity, to give it a mandate to go into both the private sector on request and only on request, and to go into the public sector. I might point out that the many private industries that have come into this Productivity Council in the past have done so because of their own voluntary need.

It seems to me that when we have an administration backing this bill, when we have the Labor Department backing this bill, when we have labor unions backing this bill, and when we have management backing this bill, and when we can see that it has saved a concrete amount of money for the taxpayers of this country, it is worth passing.

I would suggest that we can make all kinds of mountains out of this molehill, but that I think the committee worked very hard to make sure that it would not be a boondoggle, and I remind the Members that it was passed out of committee by unanimous vote on both sides of the aisle.

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

Mr. McKINNEY. Yes, I will be glad to yield to the gentleman from New York.

Mr. KEMP. Mr. Chairman, I appreciate my friend, the gentleman from Connecticut, yielding to me.

Mr. Chairman, I have substantial concerns about the National Productivity and Quality of Working Life Act of 1975.

There is no need to establish a National Center for Productivity for the purpose of increasing the productivity of the economy. Congress can greatly increase the productivity of the economy—without creating a new revenue-consuming Federal bureaucracy—simply by removing the existing tax bias

against savings and investment. If it is worthwhile to save and invest, people will do so, and that will automatically take care of productivity.

One reason the rate of productivity growth in the United States is declining is that inflation and tax and depreciation policies have substantially reduced corporate profits available for investment. The Department of Commerce has concluded in reports that allowable depreciation for business in 1974 fell short of inflated replacement costs by about $23 billion. Secretary of the Treasury, William Simon, has reported that when business profits are adjusted for underdepreciation and phantom inventory profits, retained earnings fell from $20 billion in 1965 to $6 billion in 1973 to a negative $10 billion in 1974. In other words, U.S. companies actually paid out more than they earned, thus reducing their capital base.

Another important reason the rate of productivity growth in the United States is declining is Congress failure to balance the budget. When the Treasury has to sell bonds to finance overspending by the Congress, resources are pulled out of investment in order to cover current Government expenditures.

Thus, we have a combination of profits falling as a percent of GNP, and Government deficits crowding out private investment.

To establish a National Center for Productivity is, thus, both to sidestep and misrepresent the real issue. If business is profitable, profit will take care of productivity.

I object to associating productivity with a Federal agency and to putting both in the realm that belongs to profitability. There is no need for the State to try to duplicate what profit achieves. Profitability and bureaucracy have totally different natures and belong to different worlds. To bring bureaucracy in through the door of profit's realm can only drive profit out the window.

This act could well provide a basis for Federal redirection of resources away from the areas in which consumers show they want them by their spending in the market. Section 101 of the act states that the Congress finds that there are national needs to identify and encourage appropriate application of capital and technology in sectors of American economic activity in order to improve productivity, to develop new technologies, and to gather and disseminate information about methods to improve technology.

These functions are all currently provided by the market. The appropriate application of capital and technology is determined by profitability in the market place. They cannot be determined by a National Productivity Center.

Technological improvements are creative responses to changing costs and spending patterns in the economy. The development and adoption of a new technology are the responses of private individuals to market signals which affect their income and wealth. The purpose of increasing productivity is not to increase the gross physical output of goods, but to increase the value of production as seen through the eyes of the consumers. Only producers who are tied to the consumers through the market, and whose income and wealth depends on their judgment, can know what technologies and what applications of capital are appropriate.

To give these functions to a National Center for Productivity can only result in overriding the decisions of consumers and investors, and transferring these decisions out of the only arena in which they can be rationally made—the market—into an arena in which they can not be rationally made—the bureaucracy.

Bureaucracy cannot make these decisions because bureaucracy does not exist in the network of market information which signals the appropriate capital and technological applications.

Bureaucracy cannot make these decisions because bureaucracy does not risk its income and wealth in the decisions.

Bureaucracy cannot make these decisions because such decisions are creative decisions and bureaucracy stifles creativity.

The purpose of the State is to get done what profit cannot. I see no reason to establish a new executive agency out of a temporary commission, increasing its budget and number of employees in the process, when there is a much more direct and much more appropriate way of dealing with the productivity problem.

The gentleman from Connecticut has assured us that this program will not be another boondoggle.

Paragraphs (10) and (11) of section 101 suggest, first, that this Center will help identify and encourage appropriate application of capital in order to improve productivity and, second, that there is a national need to do this.

Can the gentleman assure us bureaucratic interests will not govern the application of capital to certain sectors of the economy?

Mr. McKINNEY. Mr. Chairman, I would suggest to the gentleman from New York that this was a very clear question that was asked when the bill was being written, and the answer is that this Center has no power at all. It cannot do anything, but advise and comment.

One of the questions the gentleman has addressed himself to in legislation he has sponsored is the use of our capital going into those productive areas that are essential, and that the role of the Center simply will be to emphasize the types of things that we in America need and where we need to put our capital investment in for new equipment if we are ever to achieve the type of productivity quality that our friends in Europe are achieving even though they have a higher inflation rate than we have.

Mr. KEMP. Production for the sake of production is not what we are looking for. Yet, this act is very much suggesting that more productivity is automatically a goal.

I have always been under the impression that the discipline of the market system—through the laws of supply and demand and the profit incentive system—allocated capital most effectively, accurately, and in accordance with what the consumers had decided was in their interest.

Mr. McKINNEY. Actually I think the gentleman from New York is quite right in his basic assumption, at least I would hope he was right, if the gentleman would tell me when we last had a free economy in this country. But there is another point that we find and that is the fact that on a voluntary basis in the American steel industry when faced with almost economic collapse from foreign competition, which was avoided, came about on the basis of an idea that came from the United Steelworkers whose president, incidentally, is presently serving on this board, Mr. Abel—and the steel industry and the union got together, and decided that it was not simply more productivity that was needed, but it was how can we produce something that is needed at a lesser price, and it worked.

So I would hope that this center is not going to state that more productivity of a given item, even if it is not salable, is what we are looking for.

I would suggest, on the other hand that from the hearings that we have held, that what it should be saying is that productivity of those needs of the marketplace, if we are going to have a marketplace, and this has to be done at a proper price and it cannot be done at a proper price without the cooperation of labor, management and investment.

Mr. KEMP. My points are: First, the market should determine what should be a profitable policy; and, second, that, presuming that we still have a free economy, the consumers are still able to abstain from paying certain prices for items that they do not want and that perhaps the bureaucracy does.

Let me ask the gentleman, is it not true that perhaps we ought to change the name of the center or the commission to that of the National Center for Profitability, because it is only the profitability of a company that determines the fact that the consumer has chosen their product?

I still feel that productivity for the sake of productivity is not what we are looking for and, therefore, we ought to have a National Center for Profitability, because the role of profits in the marketplace reflects whether or not the consumer is getting what he is looking for.

Mr. McKINNEY. The misunderstanding of the word profit in the United States is probably the greatest misunderstood word in the world.

Mr. KEMP. Are this bill and report not adding to that misunderstanding?

Mr. McKINNEY. No, I do not think we are.

Let me give the Members a perfect example, and I think the railroad car example is one of the best. Here is a system that we have all been troubled with out in Buffalo, as well as in Fairfield County, and where we have had a major problem of private railroad companies coming to the gentleman from New York and to me and to the Congress saying that we need a great railroad car-building program from the Federal Government.

Yet here when outside brains were pulled together and sat down and roundtabled this situation, they finally found out that really we were using our freight cars with no productivity whatsoever, and they were able to advise that we could, and we did, and it worked.

Mr. KEMP. Since the Government caused the lack of productivity in the railroads in the first place, it certainly behooves the Government to help remove the impediments to productivity in the second place.

Mr. McKINNEY. I would suggest to the gentleman that if he read a great book by the name of "The Incredible Bread Machine," he would find out that the railroads have never been a free-enterprise operation in this country because of our original interference.

Mr. KEMP. Having read "The Incredible Bread Machine"—and I appreciate the gentleman's bringing it up—I think it certainly points out the errors of having the bureaucracy make the decisions that otherwise would be made in the marketplace by consumers' either purchasing or not purchasing a particular product. I still submit that productivity for the sake of productivity simply is going to run a very high risk of producing things that people do not want, and that profitability is a better signal in this country and in a free society that the consumer is getting what he or she wants, rather than through the decisions by those who are political or bureaucratic.

Mr. McKINNEY. I should say to the gentleman that I do not know if I have any requests for time, so I am going to reserve some time. The gentleman should not fear that this is a bureaucracy; it is not. It has no power. It is a center for information. The private sector must come to it voluntarily. I would suggest to the gentleman, knowing his views, that it is worthwhile voting for this bill if we only get a report saying that the regulations that are brought out by the thousands of pages from these people—who are not elected, who are not voted for, and who cannot be fired—are bad, and that at least the gentleman and I get notification that they are harmful to productivity, that they are harmful to profitability, and that they are harmful to the general welfare of the economy.

Mr. KEMP. I appreciate the gentleman's yielding further.

Although I voted for this program some time ago, I am regretful of that, because I think the cost of the program is—and the cost to our economy and way of life may be—escalating. What is even of more concern to me is what the Government is telling the American people through the program's rhetoric is the way to increase productivity in this country, and that is to set up these commissions or centers. This diverts attention from the real fact that productivity is a concomitant of increasing the amount of capital invested.

What we ought to be doing is telling the Committee on Ways and Means that they ought to build into their tax reform package incentives for increasing the amount of savings in our society and increasing the amount of investment capital. I think we will find that over the past 200 years private enterprise has been sustained by removing or reducing impediments to savings and investments. This, in turn, has done more to increase productivity than all the Government commissions, all the bureaucrats, and all the politicians put together.

Mr. McKINNEY. I could not agree more with the gentleman. I will say if he can find any method, to tell the Committee on Ways and Means anything, I would be glad to know what it is.

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

The CHAIRMAN. The Chair recognizes the gentleman from Ohio (Mr. ASHLEY).

Mr. ASHLEY. Mr. Chairman, I have no requests for time.

Mr. McKINNEY. Mr. Chairman, I yield 2 minutes to the gentleman from Pennsylvania (Mr. SCHULZE).

Mr. SCHULZE. Mr. Chairman, one of the provisions of S. 2195 is to establish a national policy for productivity growth in the public and private sectors of the United States. This policy will be developed in consultation with the appropriate committees of Congress and with the appropriate departments of the executive branch.

Only through economic growth and continued productivity improvement can we generate the wherewithal to meet our society's goals. Continued productivity improvements are also critical to maintain our competitive position in the international economy.

Many of the experiences to date of the present National Commission on Productivity have suggested several ways by which the new center can build upon that framework to construct a positive national program for the future.

First, the main sources of productivity growth in our own economic system are the actions taken by individuals and enterprises to advance their economic status, with Government making certain social and public contributions. By adopting timely policies to sustain or accelerate our historic growth rate for both output and productivity, we may be able to encourage steadier expansion, generally lessen inflation and sustain real gains for our citizens.

Second, significant productivity gains can be made through the cooperation of labor and management, but this requires mutual trust and recognition of each other's concerns. Such joint efforts offer a nonadversary problem-solving approach to improving the quality of working environment and productivity. We need to know more about ways of increasing job satisfaction and enhancing motivation.

Third, successful productivity improvement programs require long term commitment on the part of leaders of business, labor, and Government. Often, changes cannot be accomplished without considerable planning, analysis, and training. S. 2195 provides the Center with a 3-year horizon for successful improvement undertakings.

Fourth, a great many factors affect long term productivity growth. Amost every development sooner or later influences productivity, from commuter traffic to the quality of education. The new Center will be actively involved in many more aspects of productivity growth than was the Commission.

Finally, in addressing the problems of productivity improvement, governmental effort is limited to that of a catalytic role, a very limited one. The Center has no regulatory or enforcement powers. It must determine specific opportunities for productivity gains and operate through education, information, and demonstration.

Though the past year has been a disappointing one for the American economy, business recovery will no doubt restore much of the productivity loss. We must look to the proposed National Center for Productivity to assure steady improvement in productivity for the long term as well as in the related aspect of the quality of work environment.

Mr. LEVITAS. Mr. Chairman, today the House, I hope will join the other body in recognizing a grave problem facing our country—a decline in overall national productivity—by passing S. 2195, the National Productivity and Quality of Working Life Act of 1975. As introduced in the other body by my friend and fellow Georgian, Senator SAM NUNN of Georgia, S. 2195 is a good first step to address the current 9-year decline in the rate of productivity growth. In other words, output per man hour has failed to keep pace with costs of labor and materials.

One of our major tasks must be to find a cure which requires increased capital investments, improved technological resources and improved working conditions. S. 2195 is designed to do this through data gathering, problem analysis and technical assistance to government, business and labor sectors. This will will help and not harass the economy.

Of particular importance to me is the role of the Center for Productivity and Quality of Working Life to deal with the myriad of regulations and rules by Government agencies which increasingly bog down our free enterprise system. The Center will be given a primary responsibility of reviewing and recommending necessary changes and alternatives to restrictive decisions by the Federal Government. S. 2195 provides that a separate and distinct productivity impact statement be included by each Federal agency on each proposed regulation or program. Also, each agency is required to review its own laws, regulations, and procedures to insure they are in conformance with the stated productivity policy as developed by the Center.

An increase in the production of needed goods and services and improvement of working life will result in a higher standard of living for consumers. This legislation is a movement in that direction.

We are beset in this Nation with an economy that is suffering both from recession-unemployment and from inflation-high and skyrocketing prices. With all the solutions that have been proposed—ranging from price and wage controls to Federal pump-priming to doing nothing—the only long-term solu-

tion to both problems—recession and inflation—is increased productivity. As our gross national product expands we have more people working productively, less unemployment, less Government handouts, more revenue, reduced Federal deficits, and ample goods and services to meet and satisfy the demands of money, thereby reduced inflation.

Productivity is the answer. This bill is a first step.

Mr. LAFALCE. Mr. Chairman, I rise in strong support of this legislation. The savings that will accrue to our Nation's businesses and consumers from the Center's programs will more than offset the costs of funding the Center. In an important way, the Center can and will contribute to increased efficiency and output in all segments of the economy.

Whether the U.S. economy is producing at its highest potential is a very real concern. Economic growth is the key to national prosperity, and whether we are growing and producing as much as we can in large part determines the given state of the economy. With all production inputs operating at their most efficient level and without any waste of resources, our economy will be operating at its highest possible rate.

The productivity level of the American worker is a major factor in determining whether the U.S. economy is producing at its full capacity. An economy which operates at full capacity is a healthy one which produces more goods at lower costs. It benefits the consumer as well as the worker and manager.

At the national level, increased productivity will bring about a more prosperous economy with more jobs, higher salaries, more goods, and healthier profits. While not easily projected, productivity increases will also increase our competitive advantage in our trading relationships around the world. At an individual firm, productivity increases will allow a company to sell more products at lower costs, benefitting the consumer and enhancing the individual company's competitive position. The savings accrued through the enhanced production levels can be distributed through higher dividends to the company's stockholders but also in profit-sharing mechanisms with the employees, and can be used to make changes in the company's plant that will enhance the working conditions of the employees.

In short, productivity increases help everyone from the worker to the manager to the consumer. It is essential that the Federal Government undertake the type of program embodied in S. 2195. It is clear that productivity increases should be a national priority of the first order. We are only left with the question of whether a congressionally created National Center for Productivity and Quality of Working Life will achieve positive results. I would like to spend a few moments discussing one aspect of the proposed Center's activities.

One of the functions of the present National Commission on Productivity and Work Quality is the encouragement of labor-management committees. Over the past year, the Commission has made a noteworthy and vigorous start in bringing together labor and management leaders in various sections of the country to consider some outstanding examples of cooperation.

Conferences on new initiatives in labor-management cooperation have been held in Decatur and Danville, Ill., Madison and Green Bay, Wis., Buffalo, N.Y., Amherst, Mass., and Washington, D.C. They have generally been organized and run by State university schools of industrial relations along with the Commission staff.

Attendance has been kept to 100 to 200 per conference, and most of the time has been spent in small group seminars to give the participants the maximum opportunity to participate. Case histories have been presented and discussed by the men who are actually living that history. Coal miners and foremen, steelworkers, auto workers, grain millers, rubber workers, trash collectors, machinists, retail clerks, TVA engineers, and paper workers were panel members along with plant managers and local union presidents. The focus was on practical day-to-day experience, not theory.

These case histories have included:

Parker Pen Co. and the Rubber Workers Union in Wisconsin;

International Nickel and the Steelworkers Union in West Virginia;

TVA and the TVA engineers in Tennessee;

Eaton Corp. and the U.A.W. in Ohio;

Rushton Mine and the Mine Workers in Pennsylvania;

The communitywide program of labor-management committees in Jamestown, N.Y. with the machinists and other unions; and

The nationwide program of labor-management committees in Canada.

While these case histories were drawn from greatly separated industries, unions, and sections of the country, and utilized different techniques to meet their individual needs, they had several features in common. Most began in a common crisis recognized clearly by both management and labor. All resulted in clearly demonstrable improvements in productivity, quality of work life, or both, as byproducts to resolving the crisis that occasioned their birth. All have been continued because of proven worth to workers and management as well. For example, the Jamestown, N.Y., labor and management leaders with whom I am personally well acquainted in their 3 years of working together in 20 labor-management committees in most major companies, have:

Reduced unemployment by 50 percent;

Ended the 20-year outmigration of manufacturing jobs and increased the number of such jobs by 6 percent;

Reduced days lost in strikes by 86 percent;

Increased skill training;

Increased productivity generally, in one plant by 80 percent;

Improved the quality of working life;

Attracted a major new employer, and

Turned the city around from a depressed area to a growth area.

Reactions of the over 1,000 labor and management people who attended the seven conferences were uniformly enthusiastic, Typical was that of the personnel manager for a Danville, Ill., manufacturer:

> The idea of sitting down, reasoning, working together instead of against each other . . . is the one thing that I am taking back with me from the conference, a new way to approach the "other side."

An international vice president of one of the Railway Brotherhoods concluded:

> There can be little question about the fact that cooperation between labor and management can lead to increased productivity and better work quality.

He urged:

> A continuation and perhaps expansion of the current program of conducting joint conferences at various locations so that the representatives of management and labor may attend, participate and perhaps experiment.

The proposed center embodied in this legislation would arrange for more conferences to bring together labor and management leaders in more States and more communities. They will have more opportunities to see and discuss at first hand the best examples of close, effective cooperation that can be found. They can then take these back with them to their own workplaces and adapt these models to their own particular, unique needs. Through this exposure of managements and unions who are seeking ways to improve their ways of working together to other unions and managements who are doing so successfully will come added productivity and improved quality of working life.

The labor-management committee concept is only one avenue that the Center can explore further and utilize to help bring about healthy changes in our industrial sector. I am confident that labor and management alike will benefit considerably from the Center's activities, and the nation as a whole will stand to benefit by having a healthier and more abundant national economy.

Mrs. HOLT. Mr. Chairman, I would like to comment briefly on S. 2195, establishing a National Center for Productiviy and Quality of Working Life. Like apple pie and Maryland products, I support increased productivity. We must have it to keep the wheels of our economy running and to insure the prosperity of our people. The question becomes whether to seek to induce prosperity from the top down or from the bottom up.

I am afraid that S. 2195 tends to give the impression that Government is a principal agent in prosperity, in economic growth, in business expansion, and in the right uses of material and human resources. To the extent that such a proposition is encouraged by this legislation, I am not inclined to support it.

The other question I have is whether at some time, this new bureaucracy would not become an implementation agent for national production goals or other standards that the people of the United States would be stuck living with in their daily lives. To the extent that there is a rather open-ended commitment to this Center, I am inclined not to support it.

Resourcefulness, energy, innovation have always proceeded from the American people. To the extent that I trust

them, their judgments, their freedom of action, I question S. 2195.

Mr. ASHBROOK. Mr. Chairman, today the House is urged to pass S. 2195, which would establish a National Center for Productivity and Quality of Working Life. We are told that this Center will help improve our national productivity.

Frankly, I view the act with a great deal of skepticism. I wonder whether the sponsors of this legislation are really serious about increasing national productivity. I cannot help but think that by this bill we are just giving lip service to the problem rather than meeting the problem head on.

Adding to my skepticism is the language of the House report. On page 2 it says:

> One of the Nation's most important and least understood economic problems during the past decade has been a declining rate of productivity growth.

There is nothing really mysterious about the decline. In large measure the problem stems from Government overregulation. How can national productivity increase when the Federal Government is slowly strangling the American businessman to death?

Over the last decade the Congress has created a myriad of new Federal agencies. We now have, among others, the Occupational Safety and Health Administration, the Equal Employment Opportunity Commission, the Environmental Protection Agency, and the Consumer Product Safety Commission. These agencies pour out reams of rules and regulations. And the businessman must comply.

The proliferation of Federal agencies and Government controls is eroding our national productivity. The paperwork burden alone is awesome. Too much time must be spent filling in Federal forms and complying with ridiculous and unnecessary bureaucratic regulations.

I repeat, the major problem is Federal overregulation. More and more of the vital decisionmaking power is shifting from business management to Washington bureaucrats. The businessman is losing control over the basic operation of his own business.

To solve this problem we do not need another Federal agency. We need to abolish and modify many of the agencies already in existence. To increase productivity we do not need to establish a National Center on Productivity. We need to get the Federal Government off the back of the businessman. Until the Congress is willing to do this, it is a waste of time to talk about the need for increasing national productivity.

Mr. McKINNEY. Mr. Chairman, I have no further requests for time.

The CHAIRMAN. There being no further requests for time, pursuant to the rule, the Clerk will now read the Senate bill by title.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Productivity and Quality of Working Life Act of 1975".

TITLE I—FINDINGS, PURPOSE, AND POLICY; DEFINITIONS

SEC. 101. The Congress finds that—

(1) the rate of productivity growth in the United States has declined during four of the past six years;

(2) the decline in the rate of productivity growth has contributed to inflation, to economic stagnation, and to increasing unemployment;

(3) since 1965, the rate of productivity growth of the United States has been consistently lower than that of many industrial nations in the world, adversely affecting the competitive position of the United States in world markets;

(4) growth in productivity of the economy of the United States is essential to the social and economic welfare of the American people, and to the health of the world economy;

(5) growth in the productivity of the Nation's economy is essential to maintain and increase employment, to stabilize the cost of living and to provide job security;

(6) mounting worldwide materials shortages and their consequent inflationary results make increased efficiency in the utilization of these resources of urgent importance;

(7) sharing the fruits of productivity gains among labor, management, and owners may considerably influence productivity;

(8) the continued development of joint labor-management efforts to provide a healthy environment for collective bargaining can make a significant contribution to improve productivity and foster industrial peace;

(9) factors affecting the growth of productivity in the economy include not only the status of technology and the techniques of management but also the role of the worker in the production process and the conditions of his working life;

(10) there is a national need to identify and encourage appropriate application of capital in sectors of American economic activity in order to improve productivity;

(11) there is a national need to identify and encourage appropriate application of technology in all sectors of American economic activity in order to improve productivity;

(12) there is a national need to identify and encourage the development of social, economic, scientific, business, labor, and governmental contributions to improve productivity growth, and increased economic effectiveness in the public and private sectors of the United States; which objectives can best be accomplished through maximizing private sector and State and local development of such contributions;

(13) there is a national need to identify, study, and revise or eliminate the laws, regulations, policies, and procedures which adversely affect productivity growth and the efficient functioning of the economy;

(14) there is a national need to increase employment security through such activities as manpower planning, skill-training and retraining of workers, internal work force adjustments to avoid worker displacement, assistance to workers facing or experiencing displacement, and all other public and private programs which seek to minimize the human costs of productivity improvement, thereby diminishing resistance to workplace change and improving productivity growth;

(15) there is a national need to develop new technologies for the more effective production of goods and services;

(16) there is a national need to encourage and support efforts by qualified institutions of higher learning to identify and inaugurate programs which will improve productivity;

(17) there is a national need to develop precise, standardized measurements of productivity; and

(18) there is a national need to gather and disseminate information about methods and techniques to improve productivity.

STATEMENT OF PURPOSE

SEC. 102. It is the purpose of this Act—

(1) to establish a national policy which will encourage productivity growth consistent with needs of the economy, the natural environment, and the needs, rights, and best interests of management, the work force, and consumers; and

(2) to establish as an independent establishment of the executive branch a National Center for Productivity and Quality of Working Life to focus, coordinate, and promote efforts to improve the rate of productivity growth.

POLICY

SEC. 103. (a) The Congress, recognizing the profound impact of productivity on the interrelations of all components of the national economy, declares that it is the continuing policy of the Federal Government in cooperation with State and local governments, to use all practicable means and measures, including financial and technical assistance, to stimulate a high rate of productivity growth.

(b) It is the continuing responsibility of the Federal Government to use all practicable means to improve and coordinate Federal plans, functions, programs, and resources to carry out the policy set forth in this Act.

(c) The laws, rules, regulations, and policies of the United States shall be so interpreted as to give full force and effect to this policy.

DEFINITIONS

SEC. 104. For the purposes of this Act—

(1) the term "Center" means the National Center for Productivity and Quality of Working Life;

(2) the term "Board" means the Board of Directors of the Center;

(3) the terms "productivity growth" and "improved productivity" shall be interpreted to include, but not be limited to, improvements in technology, management techniques, and the quality of working life; and

(4) the term "quality of working life" shall be interpreted to mean the conditions of work relating to the role of the worker in the production process.

TITLE II—NATIONAL CENTER FOR PRODUCTIVITY AND QUALITY OF WORKING LIFE ESTABLISHED

SEC. 201. There is hereby established as an independent establishment of the executive branch of the Government the National Center for Productiivty and Quality of Working Life.

BOARD OF DIRECTORS

SEC. 202. (a) The Center shall have a Board of Directors, to be comprised of not more than twenty-five members, as follows:

(1) a Chairman, appointed by the President, by and with the advice and consent of the Senate;

(2) the Secretary of the Treasury;

(3) the Secretary of Commerce;

(4) the Secretary of Labor;

(5) the Director of the Federal Mediation and Conciliation Service;

(6) the Executive Director of the Center;

(7) not less than three members who shall be appointed by the President, by and with the advice and consent of the Senate, from among qualified private individuals in manufacturing and service industries;

(8) not less than five members who shall be appointed by the President, by and with the advice and consent of the Senate, from among qualified private individuals from labor organizations;

(9) not less than two members who shall be appointed by the President, by and with the advice and consent of the Senate, from

among qualified individuals in State or local governments;

(10) not less than one member who shall be appointed by the President, by and with the advice and consent of the Senate, from among the general public;

(11) not less than one member who shall be appointed by the President, by and with the advice and consent of the Senate, from among qualified individuals associated with leading institutions of higher education; and

(12) such other qualified members from the public or private sectors whom the President may deem appropriate who shall be appointed by the President, by and with the advice and consent of the Senate.

When unable to attend a meeting of the Board, a member appointed under clauses (2), (3), (4), and (5) shall appoint an appropriate alternate from such member's Department or agency to represent such member at that meeting.

(b)(1) The members of the Board appointed under clauses (7), (8), (9), (10), (11), and any private sector members appointed pursuant to clause (12) of subsection (a) shall be appointed for a four-year term coterminous with the term of the President. Members other than members appointed under such clauses, with the exception of the Chairman, shall serve as long as such member is head of the department or agency represented on the Board. No person shall serve as an acting or temporary member in positions requiring Senate confirmation including that of Chairman, for a period in excess of three months.

(2) The President shall appoint a Chairman for a term of four years coterminous with the term of the President. In appointing a Chairman, the President may appoint an individual who is an officer of the United States. If that officer has been appointed to his current position, by and with the advice and consent of the Senate, or if such individual is the Vice President of the United States, such individual may be appointed chairman by the President without the requirement of confirmation by the Senate.

(c) Any member appointed to fill a vacancy occurring before the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of that term.

(d) (1) Each member of the Board appointed under clauses (7), (8), (9), (10), (11), and any private sector members appointed pursuant to clause (12) of subsection (a) may be compensated at the daily rate provided for GS-18 of the General Schedule under section 5332 of title 5, United States Code, including travel time, for each day such member is engaged in the performance of his duties as a member of the Board and shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred in carrying out the functions of the Board.

(2) Other members of the Board, with the exception of the Chairman, and the Executive Director of the Center shall serve without additional compensation but shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in carrying out the functions of the Board.

(3) The Chairman shall be compensated as set forth in paragraph (1) of this subsection, except if the Chairman holds some other position in the Federal Government such individual shall be compensated as set forth in paragraph (2) of this subsection.

(e)(1) The Chairman shall appoint an Executive Committee of the Board, not to exceed seven members, including the executive director of the Center.

(2) the Executive Committee of the Board shall meet at the call of the Chairman, but in no case less frequently than once every ninety days.

EXECUTIVE DIRECTOR; DEPUTY DIRECTOR

SEC. 203. (a) The Center shall have an Executive Director, who shall be appointed by the President by and with the advice and consent of the Senate, without regard to political affiliation and solely on the basis of fitness to perform the duties and functions of the office. No person shall serve as acting or temporary Executive Director for a period in excess of three months.

(b) The Executive Director shall appoint a Deputy Director, who shall perform such functions as the Executive Director may prescribe. The Deputy Director shall act for and exercise the powers of the Executive Director during the absence or disability of the Executive Director.

(c) The Executive Director shall be responsible for the exercise of all powers and the discharge of all duties of the Center. The Executive Director shall have authority over and control of all of the staff of the Center and their activities. The Executive Director shall maintain budgets and allocate available funds as appropriate in carrying out the provisions of this Act.

(e) The Executive Director shall be compensated at a rate not to exceed that provided for Executive level IV under section 5315 of title 5 of the United States Code as determined by the President, and shall have no other employment, public or private, during the tenure of his appointment.

FUNCTIONS OF THE CENTER

SEC. 204. The Center shall—

(1) develop and establish, in consultation with the appropriate committees of the Congress and with the appropriate departments and agencies of the executive branch, a national policy for productivity growth in the public and private sectors of the United States consistent with the purposes of this Act:

(2) seek, stimulate, and encourage maximum active participation of—

(A) the private sector of the Nation's economy, including labor organizations, associations and confederations, business enterprises and associations, institutions of higher education, foundations and other philanthropic organizations and research centers and institutes; and

(B) the public sector of the Nation's economy, including Federal, State, and local governments and agencies thereof, including institutions of higher education,

in efforts to improve the rate of productivity growth in all sectors of the Nation's economy;

(3) seek, stimulate, and encourage maximum active participation of the public agencies and private organizations identified in clause (2) of this section through identification and encouragement of selected research and demonstration programs implemented by public agencies and qualified private organizations which will—

(A) increase the rate of productivity growth in the public and private sectors of the National economy through improved and innovative utilization of technological and human resources; and

(B) develop, refine, and apply accurate and reliable measurement techniques to evaluate changes in productivity;

(4) to identify, study, and review—

(A) existing Federal, State, and local statutes, regulations, and fiscal policies which adversely affect productivity growth or the economic performance of the public and private sectors of the United States;

(B) incentives to encourage industry and labor initiatives in the development of methods, techniques, and systems for the improved utilization of technological and human resources in the public and private sectors;

(C) existing and new programs, plans, and other methods, including advanced warning systems, retaining programs, retirement and separation programs, designed to counteract threats to job security which may result from efforts to improve productivty;

(D) jointly, with the Civil Service Commission, the impact of Federal personnel policies, statutes, and regulations affecting the productivity of Federal agencies and the quality of working life of Federal employees; and

(E) the need and feasibility of providing, directly to potential users, public or private, various Center services in return for payment to the Center, and methods by which charges for such services will be established;

(5) recommend to the President, the Congress, the appropriate agencies and departments of the Federal Government, and State and local governments, any legislation, revisions of regulations, policies, practices, and procedures which result from the activities carried out under clause (4) of this section;

(6) encourage, support, and initiate efforts in the public or private sector specifically designed to improve cooperation between labor and management in the achievement of continued productivity growth: *Provided, however,* That no activities of the Center involving consideration of issues included in labor management agreements shall be undertaken without the consent and cooperation of the parties to that agreement;

(7) encourage departments and agencies of the Federal Government to initiate, stimulate, and support efforts in both the public and private sectors of the United States to improve the rate of productivity growth;

(8) coordinate all activities referred to in subsection (7) of this section in order to eliminate interagency duplication of effort and cost, to insure that Center activities will not unnecessarily conflict or overlap with such other activities, and to maximize the effectiveness of all such Federal programs and activities;

(9) coordinate and consult with the departments and agencies of the Federal Government in the obligation and expenditure of funds for activities and projects in both the public and private sectors to improve productivity growth;

(10) identify, develop, and support activities, programs, systems, and techniques, in the various departments and agencies of the Federal Government for measuring productivity growth within such departments and agencies;

(11) collect and disseminate relevant information obtained by the Center or other public agencies, institutions of higher education, or private organizations engaged in projects under this Act, including information related to new or improved methods, systems, technological developments, equipment, and devices to improve and stimulate productivity growth, and to develop and implement a public information program designed to inform the public of the meaning and importance of productivity, and productivity growth;

(12) encourage and coordinate the efforts of State and local governments, and institutions of higher education, to improve productivity;

(13) maintain liaison with organizations, both domestic and foreign, involved in efforts to improve productivity;

(14) determine the Nation's needs for productivity-related management and analytical skills and to encourage and facilitate the development of training programs in such skills; and

(15) study the effects of materials availability upon productivity growth.

POWERS

SEC. 205. In carrying out its functions, the Center is authorized—

(1) to enter into contracts or other funding arrangements, or modifications thereof, in order to carry out the provisions of this Act;

(2) to organize and conduct, directly by contract or other funding arrangements with

other public agencies or private organizations, conferences, meetings, seminars, workshops, or other forums for the presentation and dissemination of relevant information generated or collected pursuant to the provisions of this Act;

(3) to make such studies and recommendations to the President and to Congress as may be necessary to carry out the functions of the Center;

(4) to implement a program and secure necessary facilities for the collection, collation, analysis, and interpretation of data and information as required in order to carry out the public information functions under this Act; and

(5) to undertake such other studies, reviews, activities, and to make such recommendations and reports as may be required to carry out the functions of the Center.

CONTRACTS AND OTHER FUNDING ARRANGEMENTS—CONDITIONS

SEC. 206. (a) No contracts or other funding arrangements may be entered into under this Act unless—

(1) such contracts or other funding arrangements will be consistent with the policies and purposes of this Act and of potential benefit to other users in the public or private sectors;

(2) provisions are made to evaluate the demonstration program and maintain improvement data, such evaluation either to be implemented by the participating parties in accordance with specifications established by the Center, or to be implemented by or on behalf of the Center; and

(3) the participating parties agree that all information relating to any innovation or achievement generated in the course of any Center-funded demonstration program shall be public information.

(b) No contract or other funding arrangement shall be made or entered into pursuant to the provisions of this Act for a period of more than three years.

(c) Any non-Federal share of a project may be in cash or in kind, fairly evaluated, including, but not limited to, plant, equipment, or services.

CONTRACT AND OTHER FUNDING ARRANGEMENTS—CRITERIA

SEC. 207. (a) The Center shall prescribe by regulation, after consultation with appropriate agencies and officials of Federal, State, and local governments, basic criteria for the participating parties under this Act.

(b) If the Center determines, on the basis of information available to it during any fiscal year, that a portion of the funds provided to a participating party for that fiscal year will not be required by the party or will become available by virtue of the application of regulations established by the Center to govern noncompliance by a participating party, that portion shall be available for reallocation under this section.

(c) The Center shall by regulation prescribe the basic criteria for determination of noncompliance by participating parties including appropriate provisions for notice and hearing with respect to such determination.

ANNUAL REPORT

SEC. 208. (a) Not later than December 31 of each year, the Center shall report to the President and to the Congress on activities pursuant to the provision of this title during the preceding fiscal year; such reports shall include a detailed statement of all public and private funds received and expended together with such recommendations as the Center deems appropriate. Such report shall include an analysis of the extent to which each agency of the Federal Government which has significant responsibilities for assisting in the improvement of productivity is carrying out such responsibilities consistent with the provisions of this Act, including (A) an accounting of all funds expended or obligated by such agencies for activities and projects to improve productivity growth, (B) an assessment of the extent to which such expenditures or obligations have furthered the policies of the Center, and (C) the Center's recommendations on how these expenditures and obligations can be better coordinated to accomplish the purposes of this Act.

(b) Each report required to be submitted to the Congress by this Act shall be referred to the standing committee or committees having jurisdiction over any part of the subject matter of the report.

TITLE III—FEDERAL AGENCY COORDINATION AND LIAISON WITH CENTER

SEC. 301. (a) Each department, agency, and independent establishment of the Federal Government shall designate a qualified individual to serve as liaison with the Center and to assist the Center in carrying out its functions pursuant to this Act.

(b) Each department, agency, and independent establishment of the Federal Government shall keep the Center currently informed of its programs, policies, and initiatives to improve productivity which relate to the responsibilities of the Center, and shall consult with the Center prior to the obligation or expenditure of funds for activities or projects to improve productivity growth.

(c) Each Federal department, agency, and independent establishment of the Federal Government is authorized and directed to furnish or allow access to all relevant materials and information required by the Center to carry out its functions under this Act.

INTERNAL REVIEW

SEC. 302. Each department, agency, and independent establishment of the Federal Government, in coordination with the Center, shall study and review the promulgation and implementation of its statutory authority, policies, and regulations, and shall identify such statutes, policies, and regulations which adversely affect productivity growth in the public or private sectors of the United States, or those which impede the efficient functioning of the Nation's economy, and shall recommend to the President and the Congress, or implement where appropriate, alternative statutes, policies, and regulations which will contribute to the achievement of the purposes of this Act.

SUPPORT OF EXTERNAL ACTIVITIES

SEC. 303. Each department, agency, and independent establishment of the Federal Government, in coordination with the Center, shall, to the extent appropriate, make available to State and local governments, labor organizations, industry, public institutions, and other qualified organizations advice, information, and support, including financial and other assistance, designed to maintain, promote, and enhance sustained productivity growth in the public and private sectors of the United States.

INTERNATIONAL PRODUCTIVITY

SEC. 304. Each department, agency, and independent establishment of the Federal Government shall identify, develop, initiate, and support appropriate programs, systems, procedures, policies, and techniques to improve the productivity of such departments and agencies, including the implementation, where desirable, of specific programs recommended, supported, or implemented by the Center.

EFFECT ON PRICE PROVISIONS

SEC. 305. Nothing in this title affects any specific statutory obligation of any Federal agency (1) to coordinate or consult with any other Federal or State agency or (2) to act, or to refrain from acting, contingent upon the recommendations or certification of any other Federal or State agency.

TITLE IV—ADMINISTRATIVE PROVISIONS

SEC. 401. The Executive Director is authorized to—

(1) prescribe such regulations as are deemed necessary to carry out the purposes of this Act;

(2) receive money and other property donated, bequeathed, or devised, or remitted in payment for services rendered, without condition or restriction other than that it be for the purposes of the Center;

(3) receive (and use, sell, or otherwise dispose of, in accordance with clause (2)) money or other property donated, bequeathed, or devised to the Center, except for such money and other property which includes a condition that the Center use other funds of the Center for the purpose of the gift, in which case two-thirds of the members of the Board of the Center must approve such donations;

(4) appoint and fix the compensation of such personnel as may be necessary to carry out the provisions of the Act in accordance with the provisions of title 5, United States Code, governing appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates;

(5) obtain the services of experts and consultants in accordance with the provisions of section 3109 of title 5, United States Code, at rates for individuals not to exceed the maximum daily rate prescribed for GS-18 under section 5332 of title 5, United States Code;

(6) accept and utilize the services of voluntary and noncompensated personnel and reimburse them for travel expenses, including per diem as authorized by section 5703 of title 5, United States Code;

(7) utilize, on a reimbursable or nonreimbursable basis the services, equipment, personnel, and facilities of any other department or agency of the United States;

(8) establish one or more task forces to assist and advise the Center, composed of individuals who, by reason of experience, are qualified for such service. Each member of any such task force who is not an officer or employee of the Federal Government may receive an amount not to exceed the maximum daily rate prescribed for GS-18 under section 5332 of title 5, United States Code, for each day such individual is engaged in the actual performance of duties (including traveltime) as a member of such a task force. Members may be reimbursed for travel, subsistence, and necessary expenses incurred in the performance of their duties; and

(9) make advances, progress, and other payments deemed necessary under this Act without regard to the provisions of section 3648 of the Revised Statutes, as amended (21 U.S.C. 529).

TITLE V—EVALUATION BY THE COMPTROLLER GENERAL

SEC. 501. (a) The Comptroller General of the United States shall audit, review, and evaluate the implementation of the provisions of this Act by the Center.

(b) Not less than thirty months nor more than thirty-six months after the effective date of this Act, the Comptroller General shall prepare and submit to the Congress a report on his audit conducted pursuant to subsection (a), which shall contain, but not be limited to, the following:

(1) an evaluation of the effectiveness of the Center's activities;

(2) an evaluation of the effect of the activities of the Center on the efficiency, and effectiveness, of affected Federal agencies in carrying out their assigned functions and duties under this Act; and

(3) recommendations concerning any legislation he deems necessary, and the reasons therefor, for improving the implementation of the objectives of this Act as set forth in section 102.

TITLE VI—REPEAL AND TRANSFER

REPEAL OF PUBLIC LAWS 92-210 AND 93-311

SEC. 601. Section 4 of Public Law 92-210, and Public Law 93-311, relating to the Na-

tional Commission on Production and Work Quality are repealed.

TRANSFER OF FUNCTIONS AND STAFF

SEC. 602. (a) The functions and staff of the National Commission on Productivity and Work Quality are hereby transferred to the Center.

(b) All property, records, and contracts as are determined by the Director of the Office of Management and Budget to be employed, held, or used primarily in connection with any function transferred by subsection (a) are transferred to the Center.

TITLE VII—AUTHORIZATION OF APPROPRIATIONS

SEC. 701. There are authorized to be appropriated to carry out the purposes of this Act, not to exceed $6,250,000 for the fiscal year ending June 30, 1976, and the subsequent transition period ending September 30, 1976; not to exceed $5,000,000 for the fiscal year ending September 30, 1977; and not to exceed $5,000,000 for the fiscal year ending September 30, 1978. Funds appropriated for any fiscal year shall remain available for obligation until expended.

Mr. ASHLEY (during the reading). Mr. Chairman, I ask unanimous consent that the Senate 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 Ohio?

There was no objection.

COMMITTEE AMENDMENTS

The CHAIRMAN. The Clerk will report the first committee amendment.

The Clerk read as follows:

Committee amendment: Page 7, line 10, strike out "twenty-five" and insert "twenty-seven".

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Committee amendment: Page 7, line 20, strike out "three" and insert "five".

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will read the last committee amendment.

The Clerk read as follows:

Committee amendment: Page 15, beginning in line 6, strike out "in labor-management agreements" and insert "in a specific labor-management agreement".

The committee amendment was agreed to.

The CHAIRMAN. Are there further amendments to the bill? If not, under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. ROUSH, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (S. 2195) to establish a National Center for Productivity and Quality of Working Life; to provide for a review of the activities of all Federal agencies including implementation of all Federal laws, regulations, and policies which impede the productive performance and efficiency of the American economy; to encourage joint labor, industry, and Government efforts to improve national productivity and the character of working conditions; to establish a Federal policy with respect to continued productivity growth and improved utilization of human resources in the United States; and for other purposes, pursuant to House Resolution 818, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on the third reading of the Senate bill.

The Senate bill was ordered to be read a third time, and was read the third time.

The Speaker. The question is on the passage of the Senate bill.

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

Mr. KEMP. 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 208, nays 188, not voting 37, as follows:

[Roll No. 644]

YEAS—208

Addabbo	Evans, Ind.	McDade
Ambro	Fascell	McEwen
Anderson, Calif.	Fenwick	McFall
	Fish	McHugh
Anderson, Ill.	Fisher	McKinney
Andrews, N. Dak.	Fithian	Macdonald
	Flood	Madden
Ashley	Flowers	Madigan
Badillo	Foley	Maguire
Baldus	Gaydos	Martin
Bennett	Giaimo	Matsunaga
Bergland	Gibbons	Mazzoli
Bingham	Goodling	Meeds
Blanchard	Gradison	Melcher
Boggs	Gude	Metcalfe
Boland	Guyer	Michel
Bolling	Haley	Miller, Ohio
Bonker	Hall	Mills
Brademas	Hamilton	Mineta
Brodhead	Hanley	Minish
Brooks	Hannaford	Mitchell, Md.
Broomfield	Harrington	Mitchell, N.Y.
Brown, Calif.	Harris	Moakley
Brown, Mich.	Harsha	Mollohan
Buchanan	Hastings	Moore
Burke, Calif.	Hawkins	Moorhead, Pa.
Burke, Mass.	Hayes, Ind.	Morgan
Burton, Phillip	Hays, Ohio	Mosher
Butler	Heckler, Mass.	Mottl
Carney	Heinz	Murphy, Ill.
Carter	Helstoski	Murtha
Chappell	Hicks	Nix
Chisholm	Hillis	Nowak
Clay	Holland	Oberstar
Cochran	Holtzman	Obey
Cohen	Howard	O'Neill
Collins, Ill.	Jeffords	Ottinger
Conte	Johnson, Calif.	Patman, Tex.
Conyers	Johnson, Pa.	Pepper
Corman	Jones, Okla.	Perkins
Cornell	Jordan	Peyser
Cotter	Karth	Pike
Daniels, N.J.	Kelly	Pressler
Davis	Kindness	Preyer
Dellums	Koch	Price
Diggs	Krebs	Railsback
Dodd	Krueger	Rangel
Downey, N.Y.	LaFalce	Rees
Drinan	Leggett	Regula
Early	Lehman	Reuss
Edgar	Levitas	Rhodes
Edwards, Calif.	Long, La.	Richmond
Eilberg	Lott	Riegle
Erlenborn	McClory	Risenhoover
Eshleman	McCormack	Rodino
Roe	Slack	Tsongas
Rooney	Spellman	Ullman
Rosenthal	Staggers	Van Deerlin
Rostenkowski	Stanton, J. William	Vander Jagt
Roush	Stark	Waxman
Roybal	Steed	Wilson, Bob
Ruppe	Steelman	Wilson, C. H.
St Germain	Steiger, Wis.	Winn
Sarbanes	Stokes	Wydler
Scheuer	Stratton	Wylie
Schulze	Teague	Yates
Sebelius	Thompson	Yatron
Shipley	Thone	Young, Ga.
Shriver	Thornton	Zablocki
Simon	Treen	
Skubitz		

NAYS—188

Abdnor	Fountain	O'Brien
Adams	Frenzel	O'Hara
Alexander	Frey	Passman
Andrews, N.C.	Fuqua	Patterson, Calif.
Archer	Gilman	
Armstrong	Goldwater	Pattison, N.Y.
Ashbrook	Gonzalez	Pettis
Aspin	Grassley	Pickle
AuCoin	Hagedorn	Poage
Bafalis	Hammer-schmidt	Pritchard
Baucus		Quie
Bauman	Hansen	Quillen
Beard, Tenn.	Harkin	Randall
Bedell	Hechler, W. Va.	Rinaldo
Bell	Hefner	Roberts
Bevill	Henderson	Robinson
Biaggi	Hightower	Rogers
Biester	Hinshaw	Roncalio
Blouin	Holt	Rose
Bowen	Howe	Rousselot
Breckinridge	Hubbard	Runnels
Broyhill	Hughes	Russo
Burgener	Hungate	Ryan
Burleson, Tex.	Hutchinson	Santini
Burlison, Mo.	Hyde	Satterfield
Burton, John	Ichord	Schneebeli
Byron	Jacobs	Schroeder
Carr	Jarman	Seiberling
Casey	Jenrette	Sharp
Cederberg	Johnson, Colo.	Shuster
Clancy	Jones, N.C.	Sikes
Clausen, Don H.	Jones, Tenn.	Smith, Iowa
	Kasten	Smith, Nebr.
Clawson, Del	Kastenmeier	Snyder
Collins, Tex.	Kazen	Spence
Conable	Kemp	Stanton, James V.
Conlan	Keys	
Coughlin	Lagomarsino	Steiger, Ariz.
Crane	Landrum	Stephens
D'Amours	Latta	Stuckey
Daniel, Dan	Lloyd, Calif.	Studds
Daniel, R. W.	Lloyd, Tenn.	Sullivan
Danielson	Long, Md.	Symms
de la Garza	McCloskey	Talcott
Delaney	McCollister	Taylor, Mo.
Dent	McDonald	Taylor, N.C.
Derrick	McKay	Traxler
Derwinski	Mahon	Vander Veen
Devine	Mann	Vanik
Dickinson	Mathis	Waggonner
Dingell	Meyner	Walsh
Downing, Va.	Mezvinsky	Wampler
Duncan, Tenn.	Mikva	Weaver
du Pont	Miller, Calif.	White
Eckhardt	Moffett	Whitehurst
Edwards, Ala.	Montgomery	Whitten
Emery	Moorhead, Calif.	Wilson, Tex.
English		Wolff
Evans, Colo.	Moss	Wright
Evins, Tenn.	Myers, Ind.	Young, Alaska
Findley	Myers, Pa.	Young, Fla.
Florio	Natcher	Young, Tex.
Flynt	Neal	Zeferetti
Ford, Tenn.	Nichols	
Forsythe	Nolan	

NOT VOTING—37

Abzug	Fraser	Nedzi
Annunzio	Ginn	Patten, N.J.
Barrett	Green	Sarasin
Beard, R.I.	Hébert	Sisk
Breaux	Horton	Solarz
Brinkley	Jones, Ala.	Symington
Brown, Ohio	Ketchum	Udall
Burke, Fla.	Lent	Vigorito
Cleveland	Litton	Whalen
Duncan, Oreg.	Lujan	Wiggins
Esch	Milford	Wirth
Fary	Mink	
Ford, Mich.	Murphy, N.Y.	

The Clerk announced the following pairs:

On this vote:

Mr. Annunzio for, with Mr. Hébert against.

Ms. Abzug for, with Mr. Breaux against.

Mr. Wirth for, with Mr. Lujan against.
Mr. Murphy of New York for, with Mr. Wiggins.

Until further notice:

Mr. Ford of Michigan with Mr. Duncan of Oregon.
Mrs. Mink with Mr. Milford.
Mr. Solarz with Mr. Brown of Ohio.
Mr. Fary with Mr. Lent.
Mr. Sisk with Mr. Brinkley.
Mr. Patten with Mr. Whalen.
Mr. Fraser with Mr. Horton.
Mr. Nedzi with Mr. Litton.
Mr. Symington with Mr. Sarasin.
Mr. Vigorito with Mr. Esch.
Mr. Jones of Alabama with Mr. Cleveland.
Mr. Beard of Rhode Island with Mr. Burke of Florida.
Mr. Green with Mr. Ginn.
Mr. Barrett with Mr. Udall.

Messrs. ALEXANDER, ABDNOR, LLOYD of California, BAUCUS, O'HARA, WHITE, Mrs. SMITH of Nebraska, and Mr. SHARP changed their vote from "yea" to "nay."

Mr. RICHMOND changed his vote from "nay" to "yea."

So the Senate bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. ROUSSELOT. 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 California?

There was no objection.

REMARKS BEFORE THE ECONOMIC STABILIZATION SUBCOMMITTEE BY HON. JAMES M. HANLEY ON OCTOBER 28, 1975

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

Mr. HANLEY. Mr. Speaker, my remarks before the Economic Stabilization Subcommittee follow:

REMARKS BEFORE THE ECONOMIC STABILIZATION SUBCOMMITTEE BY HON. JAMES M. HANLEY ON OCTOBER 28, 1975

Thank you, Mr. Chairman.

We come to this table as the final witnesses in what must be one of the most important hearings this House has held this session and indeed in this decade. Because of the magnitude of the effects which the actions taken here, or deferred here, will have on the fate of eight million fellow citizens of New York City and on the nine million residents of New York State who will ultimately share the fate of the city and on the fate of untold millions of people across America who could be adversely affected by uncontrolled reaction to a New York default, your deliberations have had to be exhaustively thorough and probing. We commend this committee and its chairman for its prudence and its dispatch in calling these sessions to determine the facts and, to the extent that foresight is possible, the impact of the New York crisis. As troops from the front line, as it were, we appreciate whatever support this committee can engender in fulfillment of its responsibilities to the Congress and the Nation.

The very fact that so many people of good faith in the national legislature have taken such an interest in New York problems has been an encouragement that the cause for financial self-control and remedial self-help is not lost. Certainly, by not killing all hope for redress, you have kept some wolves from the door and have thereby at least allowed a "breathing space" and "cooling off" period in which the crisis could be analyzed without prejudice or panic.

As you are aware, Mr. Chairman, the Ad Hoc Committee on Aid to New York was first formed within the New York Democratic Caucus in early September in response to the growing unease that New York City could not pull itself out of its morass of short-term debt and the collateral concern that the State of New York would be hard-pressed to aid if it too became laden with debt and inherited the skepticism of the marketplace that the city's insolvency was unavoidable. While this concern was real, there was certain optimism that the State could and would resolve the matter without recourse to Federal assistance.

However, ensuing developments and difficulties of the State in approaching the open market for revenues on behalf of the city were clear signals that the density of city and State were inextricably entwined and imperiled. The ramifications of this broadened scope brought the full New York delegation into active consideration of the whole issue of New York's fiscal policies and the consequences thereof, statewide and nationally.

As has been pointed out with full candor in these hearings, the feelings and sentiments of many non-metropolitan New Yorkers were much like those of western Kentuckians in that, in the eyes of upstaters, the Big Apple had more than a few worms in it. But the facts and their effects were so persuasive that regionalism was set aside, partisanship was dampened, even individual opportunism was subordinated to the primary need to assemble the data and rouse the mutual concern of disparate constituencies to protect New York and our own backyards at the same time.

It was then that we sought to bring the New York story to Congress for possible redress and remedy. Repeatedly appeals to the administration directly and indirectly have been unavailing of hoped-for understanding and assistance.

Thus, this House began its journey of discovery, its search for truth in determining what happened in New York City, what effect those events have had on New York State, and what possible effect the alternatives available in the present circumstances will have on the Nation.

The expert testimony which has been provided this committee stands as perhaps the ultimate dissection of urban finance and municipal infrastructure. In the expression of one witness, this has been a microscopic examination of dollars and cents, a dotting of "i's" and crossing of "t's" that few governments could withstand without chagrin.

You have had the benefit of concerned commentary by witnesses from across America, not only New York officials but by mayors, county executives, citizen groups, State, municipal and Federal fiscal advisors, bankers and investment experts, international observers, and the head of the Federal Reserve Board. All agreed that the immediate resolution of the situation was desirable, though some differed diametrically with the majority that aid should be given in some formulation that assures firm, explicit and binding preconditions of fiscal rectitude and budgetary amendment.

Some exacting stipulations, though not enticing, are expected and accepted as justified remonstration for financial follies and indiscretions. New York wants no blank check on the Federal Treasury. But we must remember the elemental danger of delayed resolution of this crisis. Should the city be permitted to default on its obligations, it would be only a matter of time before New York State agencies and the State itself could be forced into default by an inability to borrow at the private credit markets.

The consequences of a State default on every municipality throughout the State would be devastating. If the State defaults it will be unable to make local aid payments—no school aid, no welfare aid, no revenue sharing, just to mention a few. Without such aid funds from Albany, it is not difficult to foresee the bankruptcy of virtually every school district and many other municipal entities across the State. In the absence of State aid, municipalities might turn to the credit market for short-term cash needs and find it closed, or borrowing costs too high. There is no question that these credit problems could quickly extend beyond New York State's borders and impact on the finances of municipalities across the Nation. There is ample evidence such problems are already arising across the country, from Massachusetts to California.

In terms of the business climate in the State, the implications of a city/State default are equally frightening. Failure to pay the tremendous number of vendors located outside the city providing goods or services to city or State institutions and facilities could easily precipitate even more widespread unemployment and economic decline. Moreover, city and State contracts with suppliers and manufacturers all over the country would be in jeopardy.

We believe there is a growing consensus among our colleagues that some form of aid is necessary in order to preserve municipal credit and access to borrowing at reasonable rates with livable terms. After all, in most cases, borrowing in the capital markets is to finance progressive local economic development and public-benefit programs or to carry the operating costs of government in anticipation of incoming revenues, both crucial elements of sound and responsible government.

New York is in trouble through its own fault in many respects, but it is likewise the victim of historic disregard by the State and Federal Governments toward those demands on its resources which are not truly urban—such as welfare, education and immigrant reception centers.

Additionally, the status of the city has been aggravated by unemployment, by recession and inflation, by escalation of property tax delinquencies, by urban exodus of middle-high income taxpayers and corporate abandonment of the city, by costly pension contracts, by reliance on the sales and income tax for financing at a time both are declining.

We have only to think of our own cities with empty stores, surplus office space, abandoned factories, and undeveloped urban renewal sites to share some commonality with hard-pressed New York.

We hope you see merit in the case presented by the city and the State and will enact legislation appropriate to the crisis. The State has made itself pauper to the future of the city and has extended a "grub stake" of unparalleled proportion because we have faith in ourselves as a resourceful people.

As New York Representatives, our observations are subjective, and maybe even selfish, because we will be looking into the faces of sorrow, into the eyes of disillusioned hope if disaster does attend default.

It has been our task to mobilize the collective conscience of this House to act to prevent default of New York City and forestall default of the State and its agencies, and ultimately to protect a nation which is just now beginning to twitch itself awake at the ramblings along the Hudson River.

If there were time—the luxury of procrastination—we could properly educate our

national constituencies as to causes and effects of the New York dilemma through forums, media exposure, news articles, newsletters, mailings and personal appeals and then solicit their unbiased, informed reaction to the aid question to have as a guide to our own judgment. As it is, we as the peoples' representatives stand with New York at the vortex of decision—between the rock and a hard place. The facts are available which persuasively argue for limited aid: The will to act is now essential.

We ask that you give New York not tribute for profligacy, but a bulwark against collapse. Such a ratification of federalism could well be the best investment of this Nation's good name and fidelity at the outset of our third century.

CALL OF THE HOUSE

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

The SPEAKER pro tempore (Mr. McFALL). Evidently a quorum is not present.

Mr. ROSENTHAL. 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. 645]

Abzug	Forsythe	Myers, Ind.
Andrews, N.C.	Fountain	Neal
Annunzio	Fraser	Nedzi
Barrett	Gaydos	Nix
Beard, R.I.	Giaimo	Passman
Brademas	Gibbons	Patten, N.J.
Breaux	Ginn	Pepper
Brinkley	Green	Quie
Broomfield	Hanley	Quillen
Brown, Calif.	Harsha	Runnels
Brown, Ohio	Hawkins	Sarasin
Burke, Fla.	Hébert	Shuster
Burton, John	Henderson	Sisk
Byron	Hinshaw	Skubitz
Casey	Holland	Solarz
Clay	Horton	Steed
Cleveland	Jarman	Steiger, Ariz.
Conyers	Jones, Ala.	Stuckey
Derwinski	Ketchum	Symington
Devine	Landrum	Taylor, N.C.
Diggs	Leggett	Thompson
Dodd	Lent	Thornton
Duncan, Oreg.	Litton	Udall
Eilberg	Lujan	Vigorito
Esch	McCollister	Whalen
Eshleman	Madden	Wiggins
Evans, Colo.	Melcher	Wilson, C. H.
Evins, Tenn.	Milford	Wirth
Fary	Mink	Wright
Findley	Mitchell, Md.	Young, Alaska
Flood	Mosher	
Ford, Mich.	Murphy, N.Y.	

The SPEAKER pro tempore (Mr. McFALL). On this roll call 339 Members have recorded their presence by electronic device, a quorum.

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

FEDERAL LEADERSHIP NEEDED TO AVERT NATIONAL DAMAGE FROM NEW YORK DEFAULT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. HORTON), is recognized for 60 minutes.

Mr. HORTON. Mr. Speaker, the time has come for congressional action on New York City. The course of action taken by the Congress should not be viewed a vindication of the disastrous fiscal management of New York, but rather a recognition of the horrendous impact of a default.

New York City, the "Big Apple," is facing financial rot. It has spent not only way beyond its means, but beyond any sort of rational plan for the role of a municipal government. It has used gimmickry, gadgets, and glad-handing to postpone the inevitable time when all of its excesses would come tumbling down on the backs of the most heavily taxed population in the United States.

The city has neglected to recognize that there must be accountability for every decision.

But the gross mistakes are history. The city is now facing a financial Armagedon. The last hope for providing a means by which the city and the State of New York may wrench itself from the jaws of disaster rests with the Congress. In my judgment, the fact that the Federal Government has failed to provide leadership in this area is appalling. If the Congress fails to fill this vacuum, it will be a national disgrace.

I do not believe that New York City needs to be punished for its profligate and bungled spending policies. I do believe, and wholeheartedly support the idea that the city should not be rewarded for its past policies.

If the Congress takes action, it should not be a bail out. Direct cash subsidies to the city are out of the question. New York needs to continue making modifications in its budgetary allocations so that its outlays will equal its income.

The only acceptable route to follow is to give support to the efforts of the city to return to the private capital markets in a competitive manner. A Federal guarantee would help that process.

The financial health, stability, and future of the State government is closely tied to that of the city of New York. In short, it is highly probable that a default by the city government will lead to a default by the State government or by some of its component agencies or authorities.

If the State gets into a serious cash-flow crisis, the State government's ability to meet its responsibility for school aid, medicaid, welfare, construction guarantees, and a host of other obligations would be thrown into serious question. This could potentially throw thousands of people out of work, and could result in very stiff tax increases to solve the State's cash-flow crunch after a default.

The national effect of a default by New York City could include any or all of the following problems:

First, it is probable that the Federal Reserve would be called upon to prop up banks whose financial stability would be destroyed by a significant default on New York City debt, or even by a serious decrease in the portfolio value of New York City securities.

Second, because New York City debt accounts for nearly 20 percent of the total dollar value of all outstanding tax-exempt bonds, the impact of a default on municipal bond markets could be to substantially force upward the interest rates sought by buyers of these tax-exempt issues in the future.

This would be directly translated into higher local, State, school, sewer, and other taxes for taxpayers throughout the United States. This is true because borrowing would be more costly, and thus the cost of construction public facilities and of operating governmental entities responsible for the payment of bonded debt would rise substantially—and the sole source of revenue for these purposes is taxes.

Third, individuals holding New York City, and possible New York State securities could suffer a substantial loss of value of their holdings, not to mention a loss of income on the specific notes on which there is a default of interest or principal payments.

Fourth, because New York City is the center of much international financial activity, representatives of Britain, West Germany, and other foreign governments have expressed the fear that a financial failure of the city of New York could have serious negative impact on free world capital markets and transactions.

These problems clearly flow far beyond the borders of the five boroughs of New York City, and beyond the borders of New York State.

There is a need for a realistic assessment—in Washington—of the problems that exist and that assessment must result in a responsible plan for dealing with the problems.

As dean of the Republican congressional delegation from the State of New York, I have participated in countless discussions and delegation committee meetings with my colleagues over the past month concerning the proper Federal response to this problem.

In my judgment, the Federal Government should provide a sensible, measured plan of temporary Federal guarantees for new issues of taxable New York City obligations. These obligations would be sold to refinance the existing tax-exempt securities on which default is threatened within a few weeks. The Federal guarantee together with the controls I have discussed should be sufficient to assure the marketability of taxable bonds, which, of course, would yield substantial income to the Federal Government in the form of taxes collected on the bond interest payments. By converting New York City debt to taxable securities, we could relieve much of the upward pressure on current tax-exempt interest rates, and the effect might be substantial enough to provide lower tax-exempt rates for communities with good credit ratings.

Of course, any program of Federal assistance must be coupled with tough provisions for a combination of Federal and State control over the budget and expenditures of the city of New York. Since, in effect, for a temporary period, the city would be spending federally guaranteed dollars, we would have to be assured, and I mean assured, that the city budget would be placed in balance, and that the city's financial practices would be thoroughly reformed and investigated.

The controls must be tough enough so that no other city or State would wish to follow in the tainted financial footsteps of New York City, so that no other city is even tempted to place its hand out for alms from Washington.

Coupled with action on temporary Federal bond guarantees, the Congress and the President should focus urgently on permanent changes and reforms in the

present welfare system. New York City is not to blame for the welfare portion of its problems. These are national problems, tied to the economy, immigration, population distribution, et cetera. Our current welfare system is a stone age relic. Neither its basic concepts, its funding mechanisms, its administrative rules nor its human, social, and financial results come close to providing what a modern welfare system should provide. Leadership in this area would help solve a host of urban problems shared by cities and counties across America.

There are two specific proposals I wish to comment on briefly. First, I do not favor any plan of direct cash assistance to New York City. A plan of Federal guarantees of taxable bonds, such as I have outlined would cost the Federal taxpayer nothing. In fact, it would provide increased Federal revenue and the possibility of lower State and local expenditures if tax-exempt interest rates drop. Cash assistance is too great a lure for other troubled cities, and it would solve nothing in the long run in terms of fiscal responsibility in New York.

There has also been a proposal that the way to solve New York City's problems is to impose new and higher taxes on the New York State taxpayers. That would be economically catastrophic, in my judgment. The people of New York State already bear the highest tax burden in the Nation. Currently, the President is seeking a large reduction in Federal income taxes. A major tax rise for New York State residents would only make our business climate and our unemployment, health, housing, and other problems, including our fiscal crisis, much worse than they already are.

The answer to the New York City crises is not to punish the people of New York State. Nor is the answer to punish all the American people with the higher interest rates and higher taxes which would result from default.

For these and other reasons, it is folly to allow New York City to default on its bondholders as some form of punishment or accountability for financial mismanagement and wrongdoing.

Mr. Speaker, some people believe Federal help for New York City, if offered at all, should await the event of default. The argument used is that default itself would help to impose the kinds of financial disciplines on the city and State that are desirable and necessary to bring about a longrun solution to the problem. In my judgment, the argument that we should allow default to occur is a dangerous one.

Of course, default will impose financial disciplines—just as bankruptcy imposes fatal kinds of disciplines on a business. It is precisely the national damage that would follow default that Federal guarantee assistance should be designed to avoid. Some postdefault damage may not be reversible—the impact on banks and bondholders, and the impact on municipal bond markets and on the confidence of investors in the State government.

Furthermore, postdefault Federal aid would have to take a different and more objectionable form than predefault aid. If we allow default to occur, we may be forced into direct cash payments to the city of New York so that it could maintain essential services like police and fire protection, and emergency health care. Whether such direct cash assistance could be limited as to dollars and duration is, today, anybody's guess.

However, with a measured and sensible program of predefault guarantees, it is possible to predict the nature and extent of Federal involvement, and it is possible to avoid the necessity of direct cash grants to the city of New York—a step I feel should be avoided to prevent permanent dependency of New York and other cities on such special aid.

Federal leadership and responsible action are needed now. The pill we provide to New York City to solve its fiscal illness must be bitter, but it must be provided.

NEW YORK CITY FISCAL CRISIS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. FISH) is recognized for 60 minutes.

Mr. FISH. Mr. Speaker, 13 of us have joined in taking time for this special order this evening on the New York City fiscal crisis. I will be followed by various Members of the New York delegation, each of us taking a portion of the problem to discuss. It is our hope that a record can be made which will be orderly and persuasive and of value to the entire House in its deliberations on this issue.

At this time, Mr. Speaker, I yield briefly to the ranking minority member of the Subcommittee on Economic Stabilization of the House Committee on Banking, Currency and Housing, who has our gratitude along with the chairman of the subcommittee, the gentleman from Ohio (Mr. ASHLEY), for conducting extensive and exhaustive hearings starting on the 20th of October, hearings that are still in process.

Mr. Speaker, I yield to the gentleman from Connecticut (Mr. MCKINNEY).

Mr. MCKINNEY. Mr. Speaker, tomorrow I will put in a bill which will call for Federal guarantees to the city of New York. I do not in any way do this with a light heart because I think that the possibility of precedent here is alarming. However, Mr. Speaker, I can assure the Members this bill is so tough that no one but the State of New York and the city of New York in their present condition could possibly accept its requirements, strictures, and controls. Also I would suggest to this Congress and the U.S. Government that the underlying causes of New York's problems are causes and problems that this country as a Nation and as a whole is going to have to face very shortly.

It is very easy for us to stand here and cast blame at both Republican and Democrat administrations that have run both the State and the city of New York. The fact of the matter is that New York is this country's greatest city and it is in terrible trouble.

It seems to me that the job of this Congress is to weigh the risk to the United States of America of what would happen if there were a default in the case of New York City; but we have gone well past the fact of default on the part of New York City, for should New York City totally forget every dollar of interest, should New York City forget every dollar of debt, due to revenue anticipation problems, as of the month of December the city of New York will be $461.3 million short of meeting its payroll and its needs; this figure between the month of December and the month of May will come to $1.2 billion roughly. We have testimony of the comptroller of the State of New York that should the State of New York under those conditions, and I might add under the Federal Constitution also, have to take over the payroll for public health and safety, have to take over the payroll for education, have to take over welfare payments, have to take over medicaid payments, then the State of New York would be insolvent by possibly the 30th of April to the middle of May. This would mean that one of the largest States in our Union, as well as our largest city has, in effect, gone into default.

I think we might well ask ourselves also what the problems would be for the Federal Government should default happen. First of all, there is no way for a city in the United States to declare voluntary bankruptcy at the present moment. Under title IX of the Bankruptcy Laws as they are now written, 51 percent of the creditors must voluntarily come forth for a judgment. Fifty-one percent of the creditors of the city of New York cannot be found, because the city of New York, thanks to the sponsorship of Mr. William Simon, our Secretary of the Treasury, is operating under bearer bonds. New York City has the largest percentage of household-held debt within any city of the United States.

So we are left with a situation that after December 1, we have no way of knowing what will happen; but one thing is sure. Payrolls could not be met even if the debt were forgotten and the Federal Government probably under the clauses of the Constitution, whereby we guarantee personal safety and freedom, would eventually have to enter into the problems and affairs of New York City. The cost, I propose, would be far greater than any guarantee we could possibly suggest. In fact, I would suggest that a guarantee would do several things. First of all, a guarantee would take close to $6 billion of taxable municipal bonds out of the municipal tax-free market, which everyone who has testified before us has called overburdened. It is estimated by the Internal Revenue Service and the Treasury Department this would bring approximately $190 million to $200 million dollars of revenue to the Federal Treasury, since these new bonds would be taxable. Second, my bill, or any bill that will come forth from the majority side of the aisle, will require a guarantee fee on the part of the State of New York to use these bonds to buy New York City's short-term debt. This guarantee fee would also earn for the Federal Treasury the sum of $200 million. Far more important than that, I think that this bill or any like it would give New York City the right to settle its affairs, get itself back in order and return

to the market for their funds with a balanced budget.

Default, I would suggest to my friends who are opposed to helping the city of New York with a grant, is the ultimate cop-out for every mayor in the United States. If the city of New York is allowed to go into default, it means that the city is let off the hook. It will not have to confront its creditors, as it would under the situation in the bills now being proposed.

What do we propose? I propose that the money be guaranteed to the State of New York; and that the State of New York issue taxable bonds. The State will use those taxable bonds to buy the short-term debt of the city of New York, which is being strangled at this present moment. The city of New York will no longer have a checkbook. In fact, at this point it does not have a checkbook. The State of New York will have total control over every contract, every agreement, every expense, every paycheck, every purchase, everything that the city of New York does until the city of New York's budget is balanced and it is back in the credit market.

In fact, I would suggest to some of my friends who are concerned about this subject that this perhaps might be one way that we could get a handle on the pensions and on the civil employees contracts that are being written throughout the United States which are inevitably going to take St. Louis, Philadelphia, Detroit and the rest of the cities of this country in the same direction that New York City has gone with its profligate problems.

If we choose not to help, I simply suggest to everyone that the risks of disaster are far too great. The chances of any AA municipality or State getting any more financing are extremely low. In New York State today the city of New York is closed from the market. Agencies are closed from the market, and the city of Niagara Falls had to pay over 10 percent for money recently. The State of Connecticut, which is an AAA State which has always paid its bills, has now been reduced to AA.

It seems to me that there are pragmatic fiscal, responsible reasons for granting the city this breather. It is not a bailout. It is not cash. Nobody is giving New York anything except the right and responsibility to put its house in order and pay its bills. The cost to the country on the other hand, I would suggest, is extreme in every way, dangerous in every way and, in fact, will foster the idea of municipal bankruptcy and turn the problems of cities over to a higher governmental agency.

I would suggest to the Members that those are pragmatic fiscal reasons for doing what we are doing. I am not even going to touch on the humanity of the situation. But let us face the fact that we are dealing with the city of 8 million people and an urban area of over 12 million people; a home that has given 42 million immigrant Americans their start, and a place right now that is suffering, whether it wishes to or not, due in part to the Federal Government's lack of responsibility for realizing that poverty is a nationwide concern. New York City is right now carrying far more than its just burden in taking care of human suffering.

Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. FISH. Mr. Speaker, I think all of us from New York are indebted to the gentleman from Connecticut for his leadership and his understanding of this problem.

Mr. Speaker, the efforts of the New York delegation for the past couple of months in this regard have been spearheaded by the gentleman from New York (Mr. HANLEY), from Syracuse, who was named originally by the Democratic caucus to head an ad hoc committee which was later enlarged into a bipartisan committee to monitor the fiscal affairs of the city and to steer the Congress toward an appropriate Federal response. At this time, I would like to yield to the gentleman from New York (Mr. HANLEY).

Mr. HANLEY. Mr. Speaker, I thank the gentleman for yielding. I want to commend my predecessor here in the well for his very objective analysis of this very serious problem. He has given the problem a great deal of interest, and this is evidenced by his action tomorrow, as he has indicated, that he is going to introduce a bill dealing with the problem. So, on behalf of the State of New York I want to express our gratitude to the gentleman from Connecticut (Mr. MCKINNEY).

Many weeks ago, in taking a reading on the barometer with regard to the New York problem, a meeting was called here in Washington where representatives of the major banks throughout our country were asked to come on in, and along with them representatives of the major bond houses in America. One Monday we met, and our question was a very simple one to that group of some 18 people: What, if any, would be the ramifications of default in the American bond market; that is, default of the city of New York?

With one exception, everyone of them explained that it would be terrible.

Mind you, these are the people out in the field who are selling and buying the bond offering of localities.

Subsequently, as my friend the gentleman from New York (Mr. FISH) has already mentioned, the New York delegation, in recognition of its responsibility, delved heavily into this problem; and it produced a program of affirmative action which I believe has worked quite well.

Starting from scratch, it was the challenge of this group to develop an interest here in the Congress, recognizing at the very beginning that before anything could be effective it would have to have a broad appeal throughout the Congress.

Mr. Speaker, at this point I want to extend our gratitude to Senator PROXMIRE for what he has done on the other side in biting the bullet. I want to extend our gratitude to the gentleman from Wisconsin (Mr. REUSS) chairman of the Committee on Banking, Currency and Housing here on this side, and the gentleman from Ohio (Mr. ASHLEY) the chairman of the Subcommittee on Economic Stabilization, under which is lodged this jurisdiction.

Senator PROXMIRE conducted a series of intensive hearings and, as the Members know, some days ago that Senate committee passed out a bill by a vote of 7 to 6.

The gentleman from Ohio (Mr. ASHLEY) here in the House initiated hearings a week ago Monday, and through this period of time—incidentally, those hearings concluded here about an hour and a half ago—that committee received testimony from people across this Nation who are knowledgeable and intimate with the American bond market and with the economy in general. Hopefully, that committee will take positive action within the next several days, that is, mark up and pass out a bill.

When we think of the ramifications of default on the American bond market, I think of, for instance, some testimony offered the Subcommittee on Housing and Community Development just several days ago, as we reviewed the implementation of title VIII of the Housing bill. The representative of the First Boston Bank, in response to my question, "What is the going rate today of interest in the bond market, housing bond market?" gave us his answer.

And I said, "What was it a year ago?" And he told us.

The differential was about 3 percent. Mind you, 3 percent. We are talking about tax-free bonds.

I said to the gentleman:

> Would it be reasonable to conclude that this increase in interest is a direct result of the apprehension prevailing in our nation relating to the possibility of default of the City of New York?

He said:

> No question about it.

With regard to impact on communities, incidentally, it is estimated that if this problem goes unattended, the interest cost in the bond market, insofar as localities are concerned, is going to increase by somewhere in the neighborhood of $2 billion.

Mr. Speaker, it is rather interesting to note that this would essentially be about half of all of the revenue-paying money that might go to these communities.

I think of the city of Buffalo, for example, which, during the last several weeks, tried to move with a $23 million bond issue, and it could only sell but $10 million of it. The rate of interest was 10 percent.

I think of another community in New York State, Albany County, a school bond issue of $10 million, which could not be sold initially. Ultimately it was sold, but for 9¾ percent.

The impact on local property owners in that instance will be felt in the next local property tax go-around. Those people, the citizens of that county, are going to have to digest that extra approximate 4-percent increase.

That is what is happening about our country.

Mr. Speaker, beyond the problem related to the rate of interest, let us think for a minute about the economy of this Nation. I think that most of us agree that the fundamental problem that plagues us happens to relate to unemployment in America.

We are told that once the unemployment percentage goes beyond 4 percent, then from that point on every 1 percent of unemployment costs the U.S. Government $14 billion. That is made up of $12 billion by way of lost revenues and about $2 billion in added expense resultant from unemployment benefits and other programs appropriate to those who are unemployed.

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

Mr. FISH. I yield to the gentleman from Pennsylvania.

Mr. DENT. Mr. Speaker, I want to call to the attention of the Members the fact that what the gentleman is talking about is very important. When we have to get 10½ or 9½ percent or anything over 6½ percent for tax exempt bonds, we are then putting industry and private enterprise in an impossible position if they are to fund whatever requirements they may need for expansion, whatever requirements they may need for new processes, and whatever requirements they may need for movements wherever these items become necessary.

Industry and increased productivity is the only solution in the end. This Congress just passed a bill to create a Productivity Commission. We might as well tear up that Commission's right to operate right now. There is nothing they can do to increase productivity without money, and there is no way on God's earth that this great industrial establishment of ours can meet the requirements for increased productivity without funding new facilities. They cannot build them without publicly funded bonds that come onto the open market.

They cannot sell bonds against competition from tax exempt bonds, and God only knows what point the tax exempt bonds will reach if New York goes down the drain.

Mr. Speaker, I do not care about bringing in other issues; I would like to stick strictly with the demands and the requirements of the American people. I am not just voting for relief of New York; I am voting for the survival of my community, its industries, and its economy, and every other Member ought to look at it in that way.

Mr. HANLEY. Mr. Speaker, I thank the gentleman for his contribution.

I mentioned that for every percentage point beyond 4 percent, insofar as unemployment is concerned, it costs our Nation $14 billion. Our unemployment percentage now is up beyond that 8 percent figure, and if we could shift gears and bring it back down to about 4 percent, that would almost take care of our current deficit for this fiscal year.

But at a time when we need jobs so badly, a negative attitude unfortunately prevails on the part of the administration.

How will this affect the American employment market? I will give the Members one little example of what will happen and what is happening throughout America. I cite as an example the fact that a few days ago in the State of New York the Board of Trustees for the State University imposed a moratorium on 108 building projects that were on "Go" status and ready to break ground. Those 108 projects have been shelved for the current fiscal year. And so be it with other communities across this Nation.

Once the message is transmitted that the cost of interest on that bond issue is going to be exorbitant, then the community will have no other alternative but to shelve its project, regardless of how badly the community needs that new water line or that new sewage line or a school building, or, for that matter, a hospital. The community is going to be forced to shelve that project and say, "We can't do it now. We've got to wait another year in the hope that the interest percentages will be in a better perspective."

Every time a project is shelved in America, that reduces the employment factor and increases the unemployment percentage. So, as I say, it is inconceivable to me that from the White House comes a negative attitude on a problem which is so important to our American economy.

I am confident, and I know that we have a real job of education on our hands because, obviously, a great deal of parochialism on the issue continues to exist. Therefore, we have a great job of education in making the point with all of our colleagues, and that is that this does not necessarily affect the city of New York alone. It goes far beyond that, and it reaches out into each Member's very community.

Very frankly, I become a little bit annoyed when Members come to me and put it this way. They say, "Oh, no, no, no; in no way could I support that. My people do not want to have anything to do with that problem in New York City."

Those people who look upon it that way—and I say Representatives—are not really fulfilling their responsibility to their constituency if they accept that reaction without responding with some information related to the program, advising that constituency of the ramifications of default on the community that he or she happens to represent.

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

Mr. FISH. Yes, I yield to the gentleman from New York.

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

I think of particular importance is the point the gentleman was just making. For those Members who may not know it, the gentleman in the well represents a district in Upstate New York. That certainly would be a rural area, and he went forward and came out and played a leadership role in his willingness to speak out for the city of New York.

At first, people were looking at him and saying that he was putting his feet out the window and that people would run against him and that they could beat him on the New York issue.

In the short period of time since he first made his announcement, there is no question that the people in Upstate New York are now respecting the judgment and the thinking that the gentleman in the well used.

I would like to suggest that Members from other areas of the country will very rapidly find the same thing taking place when they are willing to put the facts in front of their people and let them know what really is happening.

Mr. HANLEY. Mr. Speaker, I thank the gentleman for his very fine comment.

There are so many other things we could say today. I am thinking, for instance, of a little statistic related to the investment of the banks in America in MO's—municipal obligations. We are told that 53 percent of the banks in America have better than 50 percent of their assets tied up in municipal obligations.

It is conceivable, if this matter did go the route and did go into default, that it actually could have the effect of producing a run on our American banks, God forbid, but it is that important.

I have a sheet here. A lot of people have said, "Why does not the city do more? Why don't they back up on certain programs, and why does not the State do more?"

I have a litany of things here that the city has done through the course of this crisis, and I think the Members will be quite impressed. I have a litany of things that the State has done in responding to this crisis, and I think the Members will be impressed.

I do not propose to take the time this afternoon to read it all. I am going to ask that it be inserted in the RECORD. Hopefully, if the Members will take the time to read it, I think those who criticize or choose to criticize, or those who do just criticize will have their criticism put to rest, if they will but take a few moments to read what the city and the State are doing.

The satement referred to follows:

BACKGROUND ON NEW YORK CITY DEFAULT CRISIS

I. STATEMENT OF FACTS

The municipal bond market has been closed to the City since spring.

Current measures now provide for tentative financing of the City's cash needs thru early December.

The City's cash needs during the period December 1975–June 1976 total $4 billion.

Even if the city suspended all payment of debt principal and interest, it would still require short-term borrowing of over $1 billion before the end of the fiscal year for current cash needs.

The Municipal Assistance Corporation (MAC) was created in June to exchange much of New York City's short-term debt for long-term obligations. However, since September the private credit market has been closed to MAC and its securities have been placed with banks, state bodies and public employee pension funds.

II. WHAT THE STATE HAS DONE

The State advanced $800 million in aid payments to the City earlier this year.

The State authorized new tax and tax increases adopted by the City this year yielding $330 million annually.

The State's 1975–76 budget provides an increase in aid to the City amounting to about $400 million.

As part of a $2.3 billion "package" designed to meet the City's cash needs through the end of November the State has agreed to lend the City $750 million.

New York State's budget is smaller than the City's, yet 63 percent of State expenditures go for local assistance.

New York State's per capita state aid to localities is the highest in the nation, more than double the average for all states.

New York State residents and businesses are the highest taxed in the nation.

The State imposes 17 different taxes rang-

ing from statewide sales and personal income taxes to racing admissions.

In September, State legislation created the Emergency Financial Control Board (EFCB). The EFCB was granted broad powers and contains the mechanism for total State management of the City's finances. EFCB's powers include:

Receiving all City revenues into its own account and disbursing them only in accordance with the financial plan;

Reviewing and passing on all major contracts;

Approving all City borrowing;

Extending the wage freeze on City employees through the end of fiscal 1977; and

Approving a 3-year financial plan (this had been done) which would: achieve a balanced budget in 20 months; eliminate a cumulative $3.5 billion deficit; reduce dependency on short-term borrowing to meet operating needs; remove operating expenses from capital budget; and, limit controllable spending to 2 percent annually.

The EFCB has decided not to accept a labor contract recently negotiated with the City's teachers. This extraordinary decision suggests the Board's power in controlling City finances.

III. WHAT THE CITY HAS DONE

Since the first of the year, the City has reduced its overall payroll positions by 31,000—from 294,000 to 263,000.

In order to conform to accepted government financing practices, items appearing in City's capital budget appropriations for operating expenses are being shifted back to the regular operating budget.

The Metropolitan Transit Authority has raised the subway fare to $.50, more than a 43% increase.

Although the Board of Higher Education has voted to retain a free tuition policy, the equivalent City tax levy funds for the City University has been cut $32 million by the Mayor. An additional $32 million reduction takes place from State funds because the aid program has a matching requirement.

A new Deputy Mayor for Fiscal Affairs, Ken Axelson, Vice President of J. C. Penney, developed the fiscal plan accepted by the Emergency Financial Control Board.

The City has begun a major reorganization of City agencies including so-called "super agencies".

A new Mayor's Management Board has been established to recommend changes in the City's administrative process and to develop greater productivity.

The City adopted a tax package of increases and a new tax this spring yielding $330 million.

New York City residents pay all State levied taxes in addition to 18 City taxes (including City personal income and nonresidents earnings taxes).

IV. EFFECTS OF DEFAULT

Without sufficient cash, the City would be unable to meet its share of welfare payments. Absent the City's share, federal contributions would cease—leaving the over one million people in the City dependent on welfare payments without any means of subsistence.

In the wake of a default and subsequent lack of funds, massive cutbacks in payroll would be required. Mayor Beame has estimated that 50% of the payroll in "controllable" operations might have to be paid off in order to effect the needed economics in the six months remaining in fiscal 1975–76 after December.

Closing of credit markets in the State in response to a City default would likely cause the State to default.

A New York State default could lead to bankruptcy of virtually every school district in the State, which depend heavily on State aid and borrow in anticipation of its receipt.

Vendors to City and State agencies located within the City, elsewhere in New York State and outside the State would not be paid. Layoff and possibly bankruptcy on the part of the vendors could result.

Unable to meet payments, the City and the State would be forced to cancel or break contracts for capital equipment. The St. Louis area might experience a blow to employment if the City were unable to meet its obligations on a $300 million contract for subway cars.

Retired persons and City bond and note holders all over the nation would be impacted by the inability to meet City financial obligations.

Municipal credit markets are certain to contract as investors become wary of the soundness of tax-exempt investments.

A "flight to quality" is already becoming apparent, resulting in a two-tiered market in which credit is available to only the highest-rated localities, and denied to all others.

Should the City be forced into bankruptcy and "human needs" such as welfare payments and payrolls be given priority over creditors, the impact on all municipal borrowing would be deep and long-lasting.

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

Mr. FISH. Yes, I yield to the gentleman from New York.

Mr. GILMAN. I thank the gentleman for yielding.

Mr. Speaker, I rise to associate myself with the remarks of both gentlemen from New York (Mr. HANLEY and Mr. FISH) and compliment them along with Mr. DELANEY, the chairman of our New York congressional delegation, for their efforts and work in seeking to resolve the crucial problems confronting the city of New York.

Both Mr. FISH and Mr. HANLEY, like myself, represent congressional districts outside the city of New York, yet we all recognize that the consequences of New York City's fiscal crisis will affect not only New York State, but will eventually have an impact upon the entire Nation.

The situation facing New York City is not unique to that city. Unfortunately, many of our large cities across the Nation are also beginning to feel the effects of years of living on over-extended credit, of waste and inefficiency and of paying for extensive social services which they must provide to their citizenry.

Several measures which have been proposed would alleviate some aspects of the city's financial plight. However, the cost of many of these programs proposed would be overwhelming.

The key areas of concern and the areas most urgently needing support are methods to stabilize municipal markets, to reduce city debt burdens and to provide liquidity.

My 26th Congressional District has been feeling the effects of New York City's fiscal problems for quite some time. I recently met with a delegation of New York City policemen and firemen who have lost their jobs as a result of the city's fiscal plight. Many other constituents have written expressing their concern that they too may lose their jobs if the city's financial plight continues to deteriorate.

So too are the public officials throughout my district concerned about the escalating interest rates on municipal bond issues. A school superintendent in my district just last week informed me that he will have to cancel proposed school construction because of the severity of bond interest rates now exceeding 12 percent.

Ultimately, the State and the Federal Government will have to come up with a joint plan for assistance to enable the city to return to the bond market.

Such a plan should not be a "bail-out" proposal but rather, should be a "help-out" measure—a method for providing guaranteed loans with some stringent safeguards, requiring the city to return to fiscal stability.

The ultimate solution for New York City, must be a sharing of the efforts of all of us, the city, the State and the Nation. Together, and only together can we overcome this crisis.

Mr. HANLEY. Mr. Speaker, I thank the gentleman for his fine contribution.

Mr. Speaker, I will conclude in just a few moments but first I wish to reflect upon a similar situation that faced our Nation several years ago which related to the Lockheed Corp. That was a very controversial issue. I know I was absolutely opposed to Federal participation in that problem until I sat through the series of hearings and heard some of the people who were intimate with the problem and intimate with the impact of that industry on the American economy. It did not take me that long to change my mind and as opposed to being an opponent, I became a proponent of it.

As I say, that was several years ago. Let us take a look back and see what has happened and what would have happened if the Congress had not taken that action back then. It was not a very popular thing from the standpoint of the folks back home and was a grossly misunderstood thing and I am afraid to this day people think that we dipped into the U.S. Treasury and came up with the money that bailed out that corporation when, in fact, we did not do that. We did not invest one penny, we simply said to the 60 banks participating in that Lockheed program that we would guarantee the borrowing of that corporation.

Had we not done that back at that time, do you know what would have happened? That gigantic corporation, Lockheed, that contributes so greatly to our gross national product and our employment rolls, would have gone down the tube and all of the jobs associated with it, in-house and out-house—and by "out-house" I mean the subcontractors throughout America who enjoy a piece of the Lockheed pie continue to enjoy that piece of the pie. Had we not done that back then that corporation would have died and along with it the thousands and thousands and thousands of jobs associated with the operation along with its jeopardy to our position from the standpoint of aircraft technology in the world community.

So, how has it worked? Well, it has worked beautifully and it has not cost the taxpayers any money. In fact, instead, as of now, the U.S. Treasury is $17 million ahead of the game because of the charges associated and conditioned with that loan back then.

So, essentially that is what we are talking about here.

As the Governor of the State of New York said: We do not want to bail out

the city of New York, we are simply asking for a backup. Give us the opportunity.

So, Mr. Speaker, I hope very much that the Congress will see fit to accede to the request of the Governor of the State of New York to help the State of New York and in helping the State of New York, we will be helping our entire nation.

I appreciate the Members listening to my discourse. I offer my deep appreciation also to my friend and colleague, the gentleman from New York (Mr. FISH), for the outstanding contribution he has made in this effort.

Mr. FISH. I thank the gentleman.

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

Mr. FISH. I will be glad to yield to the gentleman from New York.

Mr. OTTINGER. I thank the gentleman for yielding.

I would like to congratulate my colleague from the suburbs of New York (Mr. FISH) for the fine leadership that he has shown on this question, as well as Mr. HANLEY, and associate myself with the remarks of both. I wish to point out that this is just absolutely critical for the economic health of the country, to back up New York, as the gentleman from New York (Mr. HANLEY) so ably pointed out.

The default by New York is already happening and is already being felt in surrounding communities. The city of Yonkers was just told it is unable to market $16 million of tax anticipation notes that it must finance within the next month, and it is threatened with default. This is going to happen in municipalities all over the country if we do not back up New York City, so I hope that the Congress in its wisdom will take the needed action and put on the restraints, which I think already are very stringently placed upon New York City by the Big Mac Corp., and such additional restraints as may be thought to be wise, and certainly that we take this action and take it very quickly to prevent a default that will put thousands of people out of work and that will deprive people in communities, who had nothing to do with the administration in New York like the city of Yonkers, of services that it vitally needs, and to prevent further depression in the construction industry which is badly hit by our economic conditions because municipalities will not be able to finance sewer treatment plants and other municipal improvements. Schools will not be able to finance needed new school facilities. It will just be a disaster for the country.

I am not a Representative from New York City, but my communities have already been vitally affected by the situation. Merely by the administration's saying they would not come to the aid of New York, already a little community, a town by the name of New Castle that has a triple A rating, had to pay 10.7 percent to roll over its debt. This is going to happen all over, in many communities like Yonkers that will not be able to finance debt at all.

To prevent this tragic action, I hope that we back up New York City.

Mr. PHILLIP BURTON. Mr. Speaker, will the gentleman yield?

Mr. FISH. I will be glad to yield to the gentleman from California.

Mr. PHILLIP BURTON. I thank the gentleman for yielding.

I would like to associate myself with the remarks of my colleague, the gentleman from New York (Mr. OTTINGER) and others who have spoken before him.

As we know, I come from the other end of the country in San Francisco. Our own people who work in matters of municipal fiscal management are very concerned with the likelihood of default. Although we are some 3,000 miles removed in geographical terms, we are rather intimately involved with the plight confronting the people of the city of New York, if not the whole State of New York as well.

I am convinced that for the well-being of the communities not only out our way but communities in every section of the country, we have a very real stake in seeing that the Federal Government take all responsible and effective steps to see that New York is given the kind of assistance they need in this very important and very troubled situation.

So I would like to state to my colleagues that I intend to do all that I can to work with our colleagues from New York for a constructive solution, because this problem is national in its implications rather than merely local in the sense that it affects a city or even just our second largest State on the Eastern Seaboard.

Mr. FISH. I thank the gentleman for his comments.

Mr. ANDERSON of Illinois. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield to the gentleman from Illinois.

Mr. ANDERSON of Illinois. I thank the gentleman for yielding.

Mr. Speaker, I want to join as well in congratulating the gentleman who is now in the well, my colleague from New York (Mr. FISH) for the initiative that he has shown in organizing this special order this evening.

As one of those who has preceded me this evening remarked, there is a tremendous task to be performed with respect to educating the Members of this body, I think, as well as the public at large, to the issues that are involved.

I am not privileged to be a member of the Economic Stabilization Subcommittee of the House Committee on Banking, Currency and Housing, but nevertheless because of my interest in what I think is a truly monumental problem I have from day to day obtained copies of the various statements that have been delivered before that committee. I recall reading a few days ago the statement by Paul Volcker, now of New York, who was formerly a distinguished Under Secretary of the Treasury for Monetary Affairs, in which I felt the burden of his statement was that we simply do not know what the precise consequences of default would be, that there are so many imponderables both with respect to the impact this would have on the municipal bond markets around the country as well as the impact it would have on our recovery that is now underway and the effect it has been suggested the default might have on the impact of the U.S. dollar relative to the international currency markets. There is no one who can attest as to what the impact would be.

But I have been among the early ones who felt that there was a role the Federal Government must play in this situation. I do not feel we can simply abandon the city and yet I must insist some plan must be put forth to place the blame, not simply pointing the finger and trying to take partisan credit or place partisan blame, but simply that we must recognize New York is not blameless in its administration and that some very serious mistakes have been made in municipal administration over many years, that certain pension agreements have been negotiated which should not have been negotiated and that other contracts for both services and materials and labor have been entered into that could not be justified.

Therefore, I think I would express the hope that in the context of this discussion this evening some thought would be given to trying to elaborate for the Members of this body and for the country as a whole on what is New York going to be willing to do in the renegotiation of those contracts and the restructuring of its debt so that we can have some assurance that there will not be a repetition of this condition in a short time.

I was very impressed, I migh say, by what the gentleman from Connecticut (Mr. MCKINNEY) had to say with respect to the legislation that he plans to introduce tomorrow. I am not obviously prepared to say now whether I would put my name on that bill or any other particular piece of legislation, but it seemed to me in the suggestion, as he did make, that any guarantees that may be offered should run to the State of New York and that they should be accompanied by some very, very stringent requirements with respect to the future fiscal management of the affairs of New York City, the gentleman is proceeding in a direction and along a line that I think is absolutely essential if we are to recruit the necessary support in this House for what I hope will be ultimately a solution which would involve the Federal Government in a positive and helpful way to avoid the total bankruptcy of this great city.

I thank the gentleman from New York for yielding.

Mr. FISH. I thank the gentleman from Illinois very much.

In the course of my remarks I hope to address myself to the question the gentleman raised as to what the State has done and I am sure those of us from New York would expect the committee in its wisdom to indicate if they do not think that the controls that will be put into place on the city finances are adequate to insure fiscal solvency within a relatively short time.

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

Mr. FISH. I am delighted to yield to the gentleman from New York (Mr. DELANEY), the chairman of the New York delegation.

Mr. DELANEY. Mr. Speaker, in answer to the question asked by the gentleman from the State of Illinois (Mr. ANDERSON) I would suggest that the question is: What will the city of New York do? What are they willing to do?

The city of New York has no choice

at this time. A week ago Saturday the mayor appeared before the Senate committee and then last Monday, a week ago yesterday, he appeared before the House committee. He said if he does not receive some aid from the Federal Government he can no longer continue. Now of course he appealed to the State of New York and the Governor had a session there and the Governor helped the mayor out on two or three different occasions and the Governor too testified the following day, a week ago today, before the House committee.

He said that in the event that the Federal Government does not come forward with some plan by December 1 or thereabouts, that the city of New York would be forced to default. As we can all see, we have little or no choice. When it was apparent that the city of New York could no longer meet its obligations, we who came from the great State of New York met and we had as many opinions as there were Members attending. So we asked two of the Members on the appropriate committees if they would meet and try to get us a bill that we could unite on, something we could offer to the House.

Today the gentleman from Connecticut (Mr. MCKINNEY) notified us that tomorrow as a result of their meetings that they will offer a bill. I do not know what is in the bill. I doubt if anyone else other than the Members on the committee knows. We will study that bill immediately as soon as it is printed and we will try to get together with a workable plan.

Mr. Speaker, the city of New York cannot default. We have heard before that it would have a national effect across the country. We know that most other areas, the big city areas, have the same problems. Besides paying welfare in New York on the basis of what the Federal Government grants us, the State grants and the Federal Government contributes 50 percent; the State grants 25 percent and the city 25 percent more. It is a costly place to live.

We have a centralization of people coming in from all over the world. The Port of New York in the early days and because of the airplanes from every area, South America and all parts of the country, come into New York City. We have an unusually heavy burden of relief and welfare, far in excess of any other part of the country.

Now, I have been encouraged, too, to learn that the Senate will report out a bill, or they will have a final meeting to report out a bill on Thursday of this week.

I am still further encouraged because of the fact that the President will appear before the Press Club tomorrow at noontime and his subject will be the city of New York and what to do about it. I am hoping that the President will express a more favorable consideration than we have heard in the past; however, I want to congratulate the gentleman from New York (Mr. FISH) who does not come from this city, and the gentleman from New York (Mr. HANLEY), who also comes from outside the city area, for the great service they have rendered in attempting to get a bill that would be acceptable to the House.

Mr. Speaker, I hope when this bill comes up we can find a way and a method to resolve the problems of the city of New York to give us at least relief until we can reorganize that city and put it on a firm basis.

Mr. FISH. Mr. Speaker, I thank the gentleman.

Mr. Speaker, at this point I would like to correct the RECORD in one very important respect, that is that the gentleman from New York (Mr. ROSENTHAL) was the initiator of this special order. Those of us who are participating are doing so as the result of the urging of the gentleman from New York (Mr. ROSENTHAL).

Mr. Speaker, I mentioned earlier that in the course of attempting to set forth an orderly presentation that a number of Members of the New York delegation would participate on various aspects of this subject. At this point I ask unanimous consent that the schedule of appearances and the topics we will be discussing may be placed in the RECORD.

The SPEAKER pro tempore (Mr. BIAGGI). Is there objection to the request of the gentleman from New York?

There was no objection.

The list of Representatives and subjects is as follows:

1. Rep. Hamilton Fish, Jr.—general discussion; background of problem; actions of New York State to date; impact on New York State of a default.

2. Rep. Donald Mitchell—impact around the country of a default, including decrease in HUD funds ("no man is an island").

3. Rep. Benjamin Rosenthal—dispelling certain myths about the New York fiscal situation, including New York already gets sufficient Federal aid, New York has more civil servants with higher salaries producing less, and New York problems may be solved by higher local taxes.

4. Rep. Edward Koch—problems posed for New York by welfare; comparison with Lockheed situation.

5. Rep. Jerome Ambro—impact of New York default on suburban areas and public works.

6. Rep. Matthew McHugh—general discussion of problems.

7. Rep. Elizabeth Holtzman—testimony before Budget Committee on national economic repercussions of default.

8. Rep. James Scheuer—New York is not unique and is experiencing problems which many cities now and all cities eventually will encounter.

9. Rep. Joseph Addabbo—impact of default on industry in general and small businesses in particular.

10. Rep. Mario Biaggi—impact of crisis on local services, including police, fire and sanitation.

11. Rep. Charles Rangel—steps City has taken already to avert default.

12. Rep. Bella Abzug—sacrifices New York has already made and ripple effect of a default.

13. Rep. Herman Badillo—impact on New York citizens of a default.

Mr. FISH. Mr. Speaker, we are all aware that the past decade was one of expanding social consciousness in our Nation. During these years our people's growing aspirations evolved into growing expectations. In our national collective desire to meet the growing expectations of cleaner environment, of better housing, of a squarer deal for all our people we sought to fund these social precepts through a growing debt, on the basis that these real human needs met today would become effective market demands tomorrow.

In this past decade, our city and State, taking their lead from Federal goals, determined that the responsibility of Government is, among other things, to create facilities whose direct return is measured in human values rather than simply as accounting entries. In this effort, New York City and New York State may have led, but neither the city nor the State invented these goals.

That they are not alone in their present troubles is made clear by the strong backing for Federal assistance called for by mayors of other large cities. I believe they call for this aid not because they are fiscally irresponsible, but because, attempting to follow those same national goals laid down by the Federal Government in past years, they fear that in today's troubled economy the consequences of the financial crisis in which New York City finds itself may engulf them.

There has been much talk about "bailing out New York City." I know that I, and I do not believe any other member of the New York delegation either thinks of or wishes anything which could be considered a "bail out." In fact, it is our position that not one penny of Federal money should go to New York. What we are thinking of, I believe, is Federal guarantees under strict controls to provide time for putting our city and State's financial house in order.

That it is not a "bail out" and that no money would flow from the Federal Treasury is made clear, I believe, by the stringent controls already being imposed to close the city's gap between income and outgo.

But, what if we do not help? What if the Federal Government does not step in? There is little question then that "bail out" is the correct term to use. For there can be no doubt that the crises that would arise following financial collapse would require not guarantees, but money itself to maintain essential city services. The amount of this aid has been estimated at $1 billion for the first year of default, with declining amounts over succeeding years.

Members of Congress, default is not necessary. The control mechanism is in place. What is needed is a financial mechanism conditioned to assure its success.

In the debate over whether the Federal Government should help New York State and New York City through this financial crisis, as officials of the Treasury and the Federal Reserve Board have downgraded the danger and viewed with alarm possible consequences of the Federal Government moving to assist one of the 50 States which make up our Nation—I wonder what their attitude would be if West Germany, for example, were faced with the same problems. Should that happen, I have no doubt that there would be crisis meetings by the World Bank and calls for immediate assistance to a gallant ally.

Mr. Speaker, following this general discussion of the issue, I wish to make a few remarks on the background of the problem, where we stand today, actions taken by New York State to date and the impact of default. The problem is quite

clear. The municipal bond market has been closed to the city of New York for some 7 months. The city has coming due between now and June in excess of $3 billion in short term obligations that it cannot refinance and for which it cannot pay. In addition, there is a shortfall in revenues which must be met.

The critical date will be early December when some $437.8 million in revenue anticipation notes come due. Absent a Federal response, the failure to meet these obligations will put the city in default. The current measures in place provide for tentative financing of the city's cash needs only through early December. For the period December 1975, through June 1976, the total cash needs of the city will be approximately $4 billion. Even if the city suspended the payment of debt principal and interest, it would still require short term borrowing of over $1 billion before the end of the fiscal year in June 1976, for current cash needs.

That is the state of facts in the city today. What has New York done to date? Earlier this year, the State advanced $800 million in aid payments to the city.

The State authorized new tax and tax increases adopted by the city this year yielding $330 million annually. The State's 1975–76 budget provides an increase in aid to the city amounting to over $400 million. As part of a $2.3 billion package, designed to meet the city's cash needs through the end of November, the State has agreed to lend the city $750 million.

Starting last April, when the city's plight became evident and the capital markets were closed to it, the State took successive steps to assist the city. The Municipal Assistance Corp., was granted in June to exchange much of the city's short-term debt for long-term obligations. However, since September the private credit market has been closed to MAC, and its securities have been placed with banks, State bodies and public employee pension funds. Despite these problems, steps were ultimately taken to finance the city through to early December.

We have reached the point, however, with the State today imposing as it does 17 different taxes, ranging from statewide sales and personal income taxes to racing admissions, that the State has done all it can financially for the city of New York.

The State has further created the emergency financial control board to assume future management of the city's fiscal affairs. This Control Board was granted broad powers and contains the mechanisms for total State management of the city's finances.

The EFCB's powers include:

First. Receiving all city revenues into its own account and disbursing them only in accordance with the financial plan.

Second. Reviewing and passing on all major contracts.

Third. Approving all city borrowing.

Fourth. Extending the wage freeze on city employees to the end of fiscal year 1977.

Fifth. Approving a 3-year financial plan, which has already been accomplished; to eliminate a cumulative $3.5 billion deficit, reduce dependency on short-term borrowing to meet operating needs, remove operating expenses from capital budgets, and leave the city with a balanced budget in the next 20 months.

The city also has taken a great many essential steps to set its financial house in order. Those have been inserted in the RECORD by the gentleman from New York (Mr. HANLEY) earlier this evening.

I think it fair then to say, that when we ask what the State and the city have done to help themselves, it is clear they have moved with all speed, and taken all steps to warrant a Federal response. It is also safe to say that on the record it is clear a further tax increase for the city of New York would be counterproductive.

In addition to paying all taxes that are assessed statewide, the city pays a long list of taxes only collected in the city. This tax structure makes New York City the highest taxed area in our Nation, and I fear that further imposition of a tax on city residents would only permit those who are most mobile, those who could afford to pay, to be tempted to leave the city of New York.

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

Mr. FISH. I will be glad to yield to the gentleman from New York.

Mr. Speaker, that concludes my portion of this special order, to be followed by my colleagues in the delegation, each of whom will be treating different aspects of this problem.

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

Mr. FISH. I will be glad to yield to the gentleman from California.

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

If the city of New York were to go through default, what is the actual physical process? They are appointed a receiver; is that correct? The Federal courts appoint a receiver?

Mr. FISH. I would assume so.

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

Mr. FISH. I yield to the gentleman from New York (Mr. BADILLO), who serves on the committee which is concerned with these matters.

Mr. BADILLO. Mr. Speaker, at the present time, the city of New York would be unable to go into bankruptcy court because the requirements of section 9 mandate that before the city can go to court it must get the consent of 51 percent of the creditors to do so.

Mr. BELL. Of the bonds; is that right?

Mr. BADILLO. Right, and, therefore, they cannot find 51 percent of the creditors.

In our subcommittee of the Committee on the Judiciary we have had hearings on a bill to amend the bankruptcy law. That is a bill which I have introduced as H.R. 9998. This bill would change the existing requirements of the law in order to provide that any municipality could go into court without getting the consent of any creditors at all, and that there would be an automatic stay of all creditors upon evidence that the municipality is in default and cannot pay its debts.

Of course, it has to be clear that the action of the municipality is in good faith, but assuming it was in good faith, there would be an automatic stay. The judge would then be mandated, first of all, to provide for the continuation of city services, for police, fire, sanitation, and health services, and any other required services, so that the normal operations of government could continue.

After that was done, then the process of reorganizing the debt would begin. In the case of New York City, what would be required would be that there be an agreement to refinance the short-term debt for long-term bonds.

We provide in this bill that in order to consummate such an agreement the consent of two-thirds of the creditors would be required, but that if the judge were to find that any portion of the creditors unreasonably withheld their consent, the judge could order that the agreement be carried out.

Mr. Speaker, if I may explain it further for the benefit of the gentleman from California (Mr. BELL) and my other colleagues, the basic thrust of the bill is the recognition that a city is not a private enterprise, that a city cannot go bankrupt because it has the inescapable responsibility of providing governmental services and of protecting the health and safety of its citizens, and, therefore, according to the proposal under this bill, that mandate to provide for essential services would be the first mandate that would have to be discharged.

ECONOMIC PROBLEMS OF THE CITY AND STATE OF NEW YORK

The SPEAKER pro tempore (Mr. AMBRO). Under a previous order of the House, the gentleman from New York (Mr. MITCHELL) is recognized for 60 minutes.

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

Mr. MITCHELL of New York. I yield to the gentleman from New York.

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

Mr. Speaker, at this point, in further response to the question asked by the gentleman from California (Mr. BELL) to the effects of default on the city of New York, I insert in the RECORD the following material, which is a series of steps that are expected to follow such a default:

Without sufficient cash, the city would be unable to meet its share of welfare payments. Absent the city's share, Federal contributions would cease—leaving the over 1 million people in the city dependent on welfare payments without any means of subsistence.

In the wake of a default and subsequent lack of funds, massive cutbacks in payroll would be required. Mayor Beame has estimated that 50 percent of the payroll in controllable operations might have to be laid off in order to effect the needed economics in the 6 months remaining in fiscal 1975–76 after December.

Closing of credit markets to the State in response to a city default would likely cause the State to default.

A New York State default could lead to bankruptcy of virtually every school district in the State, which depend heavily on State aid and borrow in anticipation of its receipt.

Vendors to city and State agencies located within the city, elsewhere in New York State and outside the State would not be paid. Layoffs and possibly bankruptcy on the part of the vendors could result.

Unable to meet payments, the city and the State would be forced to cancel or break contracts for capital equipment. The St. Louis area might experience a blow to employment if the city were unable to meet its obligations on a $300 million contract for subway cars.

Retired persons and city bond- and noteholders all over the Nation would be impacted by the inability to meet city financial obligations.

Municipal credit markets are certain to contract as investors become wary of the soundness of tax-exempt investments.

A flight to quality is already becoming apparent, resulting in a two-tiered market in which credit is available to only the highest-rated localities, and denied to all others.

Should the city be forced into bankruptcy and human needs such as welfare payments and payrolls be given priority over debtors, the impact on all municipal borrowing would be deep and long lasting.

Mr. Speaker, in view of the good graces of my colleague, the gentleman from New York (Mr. MITCHELL), in yielding to me further, I would like to carry the whole scene one more step and consider the effect of default on the State of New York.

We are dealing here with a very complex issue. The members of the Subcommittee on Economic Stabilization of the Committee on Banking, Currency, and Housing have heard all the experts, and it is very difficult to get anyone to say with absolute assurance what will happen should, for the first time in our history, a great city of 8 million go into default. But we do have a state of facts with which we can deal and which are unique. One of these facts is that the budget of the city of New York is larger than the budget of the State of New York. The default of this larger city budget can well pull down the smaller State budget.

Another factor is that the State of New York has a series of State agencies such as the Dormitory Authority the Housing Finance Agency, the Environmental Facilities Corp., to mention only three, that are financed by "moral obligation" notes not backed by the full faith and credit of the State. These amount to $3.1 billion that come due before June 30, 1976. In the judgment of most experts it is believed that regardless of any possible action by the State to avoid default, these State authorities will collapse, and bring construction of any State-supported project to a virtual halt.

Furthermore, to avoid default, State officials have advised us that the State will have to cut back severely on State aid to municipalities within the State. This would mean a sharp cutback in aid to localities which we call State revenue sharing. There would be cutbacks in aid to education and to our school districts.

This would represent a crisis for municipalities which budget this State aid as anticipated revenue. The dimensions of this crisis can be grasped when it is realized at least 63 percent of State expenditures go toward local assistance, the highest per capita State aid to localities in the Nation.

Such a promised retrenchment to avoid default would clearly cause great suffering to every resident of New York State. There would be only one source available to local government to make up this revenue shortfall, and that would be the already overburdened regressive property tax. This then, is not just a city problem but a State problem of potentially tragic dimensions.

Mr. Speaker, I thank the gentleman from New York (Mr. MITCHELL) very much for yielding to me.

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

Mr. Speaker, I commend my colleagues for this effort to emphasize to the Congress the nature and implications of New York City's fiscal crisis. The gravity of the crisis, and the need to meet it swiftly and decisively, cannot be overemphasized: December 1 is the date on which the city's cash will run out; what will greet us after that date, if Congress fails to act, is near-certain chaos and probable collapse in financial markets.

Earlier this month I presented to the House, in a special order, a detailed account of my views of New York's fiscal agony—pages 31612–31614 of the October 3, 1975 CONGRESSIONAL RECORD. I stated then that a Federal guarantee of taxable bonds was clearly the solution which presented the minimum amount of risk to both New York City, New York State, and the Nation. Since that time, voluminous testimony before Representative ASHLEY'S Subcommittee on Economic Stabilization has repeatedly confirmed that view, and the prospect of passing legislation to relieve the fiscal crunch has improved considerably.

The subcommittee's work has also been invaluable in dispelling some of the myths which earlier had seemed a nearly insurmountable barrier to passage of a measure to relieve New York's problems. Chief among these myths is the idea that—as Albert Shanker put it in his testimony this morning—New York's financial bind has been "caused by extravagant spending on a bloated public employee payroll and utopian social welfare schemes." The facts, of course, reveal this to be quite untrue. The ratio of public employees to population in New York City compares favorably with the statistics for other American cities; and these employees, contrary to the dominant myth, receive salaries and fringe benefits that do not exceed the compensation of their fellow municipal workers in major cities. A close look at the facts reveals that, despite the admittedly wrong resort to fiscal gimmickry by New York over the last decade, the real roots of the fiscal crisis lie not in Manhattan but in Washington, where Federal policies over the past decade have continually placed undue economic burdens on all the Nation's cities, but especially on its greatest city, New York.

Mr. Speaker, if the Congress is to face up to the meaning of New York's crisis over the next month, it is vitally important that the process of ridding ourselves of baseless myths and prejudices continue. To that end, I should like to present to those Members who missed it earlier today, the text of Albert Shanker's testimony before Mr. ASHLEY'S subcommittee. I believe that a careful consideration of the facts presented therein should help mute the foolish exercise of venting prejudices, and spur the effort to find an equitable solution to our current crisis.

The testimony follows:

Mr. Chairman, members of the Subcommittee, we welcome this opportunity to present our view of the New York City emergency to this Committee so that in making your decision upon this momentous issue you will have before you a record that reflects fact and not prejudice. Prevailing sentiment seems to be that New York City is in a financial bind caused by extravagant spending on a bloated public employee payroll and utopian social welfare schemes. This view, which seems to appeal to so many observers of the crisis in New York City, including former governors and mayors, is a simplistic and fundamentally untrue picture of a series of complex and interrelated events that, taken together, are the root cause of the city's crisis.

We do not doubt that part of the cause of New York's problems lies with the way the city's fiscal affairs have been run over the last decade, but what has triggered the immediate crisis in New York is what has triggered the massive deficits by the Federal government over the past few years; that is, gross mismanagement of our economic affairs on the Federal level. If the Federal government did not own the money press, it would be in line with New York. Massive unemployment and the resultant rise in social welfare costs and decline in tax revenues, spiraling interest rates and runaway energy costs are at the heart of New York's problems just as they are at the heart of the problems faced by other states and localities and most American families.

One myth that should be dispelled is that of the exorbitant salaries of New York's public workers. As the following chart shows, the salaries of New York's public workers are essentially comparable to those of workers in other cities.

The average teacher in New York earns $17,440 per year. That figure is not even close to being the top in New York State, let alone the rest of the nation. Class size in the New York City public school system is in fact considerably less favorable than in many other jurisdictions within the State of New York and throughout the country. The same is true in other occupations such as police and fire, with New York having the top salary among major cities only in the area of sanitation. Nor does New York have many more public employees than a great many other cities. New York averages 242.9 public employees per 10,000 of population while Chicago averages 258.2, Philadelphia 255.2, and Baltimore 260.1.

"Comparisons of the expenditure and employment patterns of New York City with those of other large municipal governments indicate that New York is far out of line with other jurisdictions. Yet this is a misleading conclusion which stems from the fact that New York City provides services that in other areas may be supplied by a county government, a school district, or another specialized government. If one compares the New York employment and spending patterns with those of *all* of the local governments providing services to the residents of other large cities, New York appears to be less ex-

traordinary. While its per capita expenditure and public employment levels are above those of any other major city area, some of the differences with respect to such cities as Boston and Philadelphia can be explained by the fact that welfare is a state function in Massachusetts and Pennsylvania. While New York also spends a great deal more than other cities on higher education, hospitals, and mass transportation, its expenditure on the services commonly provided by municipalities is not out of line with those of other large cities. With respect to the salaries paid public employees, New York is generous but not the most generous of large cities. Considering that New York's cost of living—as measured by the Bureau of Labor Statistics (BLS) intermediate family budget—is higher than all but that of Boston, its wages are not particularly out of line."

There are differences, however, between New York and other cities, again according to the C.B.O. paper.

"While New York's situation in many ways does not differ markedly from that of other large central cities, some of its problems are clearly not shared with other cities. First, there is New York's debt situation.

"On a per capita basis the city has far more debt outstanding than do the local governments providing services in the other central city areas. This is particularly true of short-term debt in which New York stands alone in its needs continually to enter the market to 'roll over' large quantities of notes. Second, New York, as far as can be told, has been the only major city that has chronically run a large current operating deficit in both good and bad economic years."

This is not because of extravagance; this is because New York City has had to do more for its residents than many other cities because it has always been the center through which millions of immigrants have begun their lives as American citizens, and migrants from other parts of the country have sought to better their lives. These individuals have usually been in need of services to an extent unheard of in other population centers. The city has had to do it with minimal help from the state.

In the area of welfare expenditures, for example, New York is one of only 21 states that requires its local governments to contribute to the support of the cash assistance aid to the Families with Dependent Children Program. Of these 21 states, the local share is highest in New York where it amounts to one-half of the non-Federal share. New York's welfare related expenditures amount to $4 billion annually, or one-third of the current budget.

New York has provided a city university system, municipal hospitals, low-income housing, and mass transit—services provided by state and county governments elsewhere. These services have provided the means by which generations of the children of our nation's immigrants have attained social mobility and increased earning power. The increased tax revenues produced by the citizens who benefitted from the services of New York City—especially its public school and city university systems—cannot be accurately measured, but if the Federal statistics are at all applicable, investment in education yields $2 in tax revenue for every dollar invested.

Further, New York has made do without substantial Federal help. New York, according to the Census Bureau, receives slightly more than 16% of its revenues from the Federal government. On the average, states receive 20%, and some states such as Alabama receive in excess of 27% of their revenues from the Federal treasury. If New York received only the national average, that would be an extra $700 million this year or enough to cover New York City's entire operating deficit for this fiscal year. If New York received as much percentagewise as Alabama, that would be almost $2½ billion more, in which case there would not be any crisis worth mentioning in New York. Even given these facts, New York could probably have continued along for many years without this crisis. Possibly it might never have occurred at all except for three actions and inactions of the Federal government that amount to gross mismanagement of our national economy by the current and previous Administrations.

When the Federal Reserve shut off the money supply last year and interest rates went through the roof, a city like New York which has relied on the credit market more than it should have was placed in real jeopardy. It is verified that the sharp increase in interest rates has cost state and local governments an additional $3 billion per year with New York City and State accounting for more than 35% of the municipal bond market that amounts to an incredible amount of money that no one could have planned for, save those who can read the inscrutable mind of the Fed's Chairman, Arthur Burns.

Second, the enormous increase in energy costs which were part of an international development beyond the control of the city, but which were exacerbated by the actions of an Administration that vetoed and blocked any attempt to place reasonable ceilings upon the prices of domestic supplies. Again, the effect was to force the city to spend dollars for purposes it could not have anticipated without a functioning crystal ball.

The final blow and the most serious of all the problems faced by the city was and is massive unemployment and the accompanying loss of tax revenues because the city and state have a tax structure that is vulnerable to the business cycle because it is based more upon ability to pay than are most state and local tax structures. With the dramatic increase in unemployment has come a dramatic increase in the welfare and other social service costs of the city. Every 1% of national unemployment costs the Federal government $16 billion—$14 billion in lost tax revenue and $2 billion in additional social welfare costs.

The effect in New York is almost as dramatic. In fighting inflation, the Federal government's policy set by Arthur Burns and William Simon was to use massive joblessness as a weapon, and in using such an unconscionable weapon, the Federal government played the major role in precipitating the current crisis.

Not only are the school children of New York City suffering, because of these policies, because their fathers and mothers may be unemployed and are paying higher food and rent costs—but they are suffering because the financial crisis in New York City has led to the destruction of the greatest hope our children have—their education. Our schools have suffered a $231 million cut. Children in desperate need of guidance, attendance, and clinical services, children who were receiving these services up to last year, are left in the lurch. Emotionally handicapped children have been placed in classes already oversized and without a specially trained teacher. Throughout the system classes are too large; paraprofessionals who aided teachers and were able to help provide individual instruction for children have been laid off, like teachers, by the thousands—not only dashing their hopes for a better life, but leaving our children with a severe loss. Remedial services are cut to the bone or non-existent; electives for the bright and talented children of our city have been cut out; music and art and other such subjects are treated as frills and are the first to go. Science teaching—once a major thrust throughout our nation—has suffered a severe cut; laboratory specialists and technicians have been virtually eliminated from our schools.

The Federal government, which has shared in the creation of this problem, must play a role in solving it. It must address itself first to what can and should be done to prevent the social and economic chaos that could accompany a default. In a column published as an advertisement in the Sunday, October 19th New York Times, I outlined some of the potential consequences. That column appears as an appendix to this statement.

This Committee should report a bill that will help New York market its bonds and allow it to get through this immediate crisis. While we do not know what direction you intend to take, we hope that the approach that seems most likely in the Senate is not the final word in aid to New York City.

The Senate bill unfortunately establishes a committee dominated by the two individuals most responsible for the Federal policies that have gotten us in the mess we are now in.

The Senate proposal charges the committee with administering the city's debt. Any Federal bill also should concern itself with seeing that public services such as education, health and public safety are maintained. The final requirement we want to address is the need for a balanced budget. It is true that the city must move toward a balanced budget in order to restore investor confidence; however, to compel a balanced budget in too short a period of time, or to re-negotiate pension benefits, has counterproductive consequences. The city and all its agencies have a $3 billion debt deficit because of the nature of the situation. The only way the budget can be quickly balanced is through even more lay-offs. Such massive lay-offs cannot be in the interest of anyone concerned with the New York situation. More unemployment will only mean more deficit for New York and the Federal government. Economists estimate that between 40–50% of such a stimulus reduction will appear as Federal deficit using 50% as a median figure. A $3 billion reduction in spending would result in $1½ billion in increased Federal deficit. The other more terrible consequence to such an action would be the absolute destruction of the city's services making casualties out of thousands of children and adults who cannot survive without those services.

A larger range program should include a program of aid to all our hard-pressed urban areas.

WHAT OUGHT TO BE DONE

(1) The Federal government should immediately enact a program of emergency aid to cities based upon the national and local unemployment rates and directed entirely at maintaining employment in vital public services. Such a bill has already passed the Senate and the House should also follow through with such a program.

(2) A big increase in the Public Service Employment Program with a goal of creating one million jobs to be used to both rehire public employees who have been laid off because of the budgetary squeeze and to create new jobs for other unemployed workers who seek them. Half of the funds should go to local education agencies since school boards are the employers of more than half of all local government employees.

(3) A program of municipal debt management. The Federal government should provide a subsidy to local governments so that they may float bonds at reasonable interest rates. Currently, the municipal bond market is running at between 9 and 11% interest, while at the same time, the Federal government, through some of its agencies, is providing loans to the Soviet Union and various Arab states at interest rates that vary between 3 and 6%. President Ford pursues detente with the Soviet Union, but conflicts with our own urban areas.

(4) Complete federalization of welfare

costs. Many cities have been forced to cannibalize so-called "controllable" portions of their budgets such as education in order to fund the dramatic increase in welfare costs that has been caused by the previously mentioned Federal policies. This is clearly no choice at all, and help here is needed immediately.

(5) Increases should be provided in some of the Federal categorical grant programs such as aid to education, mass transit, health, and housing. If such help is not forthcoming, consequences may exceed those associated with the deterioration of life in our urban areas and with social unrest. The whole fabric of our society depends on the survival of our cities. Surely a government that can provide economic aid to the Soviet Union and can bail out with major infusions of Federal funds such corporate giants as the Penn Central Railroad, Lockheed Aircraft, and make attempts to bail out Franklin National Bank and W. T. Grant, can find time and resources for the needs of its own citizens.

Mr. MITCHELL of New York. Mr. Speaker, we are now at the 11th hour in the continuing saga of New York City's financial crisis. The clock is ticking away and as we approach the final hour—the moment of truth—I am reminded of John Donne's oft-quoted admonition, "Never send to know for whom the bell tolls; it tolls for thee."

To all of my colleagues, be they from Memphis or Minneapolis, from Spokane or Savannah, the message is the same. The crisis of New York City is one with an impact extending far beyond its borders. In fact it is one that transcends international boundaries.

Just as "no man is an island," no urban center of the size, importance, and uniqueness of New York City can be regarded as "entire of itself." It is very much part of the main. What happens there has an affect on us all and the people we represent.

Two of the many news stories appearing on this subject in recent days vividly illustrate the point.

Secretary of Housing and Urban Development Carla A. Hills has reported that New York City's financial crisis has adversely affected the Federal Government's new multibillion-dollar subsidized housing program for low- and moderate-income Americans.

According to Secretary Hills, "It is going to be very tough in the capital market to reach our goal" of building 240,000 of new subsidized units this fiscal year because State and local housing authorities are experiencing severe difficulties selling bonds to finance their portion of the Federal program.

These housing units for our people are needed from coast to coast—in Memphis, Minneapolis, Spokane, and Savannah. Without a satisfactory resolution of the New York City financial crisis, they might never come to be.

As my distinguished colleague from New York (Mr. FISH) has pointed out, the goal of a decent home and suitable living environment for all Americans is not something developed by and for New Yorkers, it is a national goal for all Americans advanced by the Congress of the United States.

And it is not just our national housing program that is in jeopardy as a result of the New York City financial crisis. Other essential services are standing on shaky ground because the psychological impact of New York's problem has played havoc with the entire municipal bond market.

The Dow-Jones News Service has reported that the city of Rochester, with a triple-A rating, last week had to accept an interest penalty amounting to $540,000 on a 12-month, $27 million public borrowing, reoffered to the public at 6 percent tax-exempt. Under ordinary circumstances the borrowing cost for a city with Rochester's excellent credit rating would have been as low as 4 percent were it not for what Dow-Jones referred to as "the investment stigma" arising from New York City's financial woes.

But these are not ordinary circumstances.

And Rochester is fortunate. It has a triple-A rating.

What about the other jurisdictions? Those whose rating is not as high? Where a Rochester's is forced to pay a penalty, another municipality or State might find the bond market operating on the other side of a closed door. Where will the revenues come from to meet current needs? To solve current problems?

No, New York City is not an island entire of itself.

What about the problem of unemployment? Isn't that national in scope? Are not we, in the pursuit of a national goal to provide a job opportunity for all Americans, determined to do all that we can to eliminate unemployment? Of course, the answer is a definite yes.

Another news dispatch, by Michael Sterne of the New York Times, starts with a couple of revealing paragraphs:

In a new illustration of the old business adage that you have to spend money to make money, New York City is finding that money it hasn't got and can't borrow is imperiling such revenue-producing projects as piers, markets, industrial parks and shopping centers.

These capital projects would create at least 22,000 new jobs for the city's 385,000 unemployed and pour millions of dollars of new income into its empty treasury, but the fiscal crisis is preventing Mayor Beame from raising the $54.7 millilon needed to further them this year.

So what happens to those 22,000 people who would have been employed? Additional weeks of unemployment compensation. Added welfare expenditures. More life-sustaining dollars from the Federal Treasury.

Mr. Chairman, I am not an apologist for New York City. I will not stand here and attempt to defend past practices that could only be placed under the heading of fiscal irresponsbility, poor judgment or bad management. We must all learn valuable lessons from the mistakes of the past but the urgent need is now to concentrate on corrective action for the future—not just in the interest of New York City or New York State, but the Nation and beyond.

You do not have to be from Tennessee or Texas to be less than enchanted with events that took place to bring us where we are today in this discussion. The people I represent, some less than 200 miles removed from New York City, have been and are disturbed by these events. And understandably so. But once again, we cannot afford to dwell on the past, we must concentrate on the future. The errors of their ways have been pointed out to New York City officials and they have been forced into the most austere of programs involving substantial cuts in services, reductions in jobs and virtual loss of autonomy over the city's fiscal affairs.

No doubt about it, these steps had to be taken and undoubtedly more needs to be and will be done. All the time the clock is ticking away. Soon the moment of truth, the tolling of the bell.

As I tell my constituents, that bell will also be tolling for them.

Right now, two-thirds of New York State's revenues are returned to local governments. This money is what makes local government go, from one end of my district to the other—it provides aid for schools, highways, and municipal government projects.

How would default on the part of New York City affect this State aid? Many have suggested that if New York City goes, so will New York State—a dominoe theory—one default after another. That is debatable.

But what is not debatable is that a New York City default will back the State into a fiscal corner and force it to take drastic economy measures. To cut, slash, and drastically reduce the State aid that is the financial lifeblood of every local governmental budget within the Empire State.

And what will inevitably be the response? When one's lifeblood supply is cut off, a desperate search for a transfusion—in this case dollars and cents—must be immediately launched to prevent the gradual deterioration and possibly the eventual death of the institutions supported.

I do not even like to ask the next question because I know the answer. Where will the revenues come from? Added sales taxes and increased real property taxes—both already too high. How much will it increase them? Twenty percent—50 percent—no one knows.

But New Yorkers—all New Yorkers—already have the heaviest tax burden of any people in the Nation. Adding to that burden at this point will have a devastating result.

I do not pretend to have the sure-proof solution to the very complex problem we all face because of the New York City financial crisis. However, I am convinced that reason—not emotion—must dictate the response on the part of Congress. No matter how you look at it, we are all very much in the same boat on a stormy sea.

We have got to stand tall, focus our attention on the problem, acknowledge its widespread implications and then vow to do what is right, not in terms of a bailout or instant fix for one city—but in terms of what is right for the long range best interest of our country.

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

Mr. MITCHELL of New York. I yield to my colleague.

Mr. KOCH. Mr. Speaker, the reason I rise at this time—and I appreciate my colleague's yielding to me—is that I am the chairman of an event on behalf of a Czechoslovakian organization which is meeting at 6 o'clock to celebrate the

founding of Czechoslovakia. I intend to come back shortly. I have to speak there.

What I wish to do for a few brief moments is to discuss two areas that are of concern to those people who are interested in the problem of the city of New York and why we are in need of assistance.

The first one, Mr. Speaker, relates to welfare. Everyone knows what a horrendous burden welfare can be, particularly to a locality that has to pay a substantial part of that burden. Not every locality pays a part of that burden, and not every State is restricted to a maximum of a 50-percent contribution by the Federal Government. What is so interesting, Mr. Speaker, is that most people think that across the country the Federal Government pays exactly the same percentage to every State. Nothing could be further from the truth.

For example, the State of New York receives percentagewise the least, the minimum amount payable by the Federal Government, 50 percent of the burden of welfare. Let us see what some other States are receiving. Ten States receive reimbursement of between 70 to 75 percent of the cost of welfare. Those States are Alabama, Arkansas, Kentucky, Louisiana, Maine, New Mexico, South Carolina, Tennessee, Utah, and West Virginia. Mississippi tops the list with a Federal reimbrusement of 78 percent. I want to make it clear I am not opposed to Mississippi's receiving a 78-percent Federal contribution. I believe the contribution by the Federal Government with respect to welfare should be 100 percent. But I want to point out the inequity where we have the enormous problem of people coming from all over the country, and we are receiving a percentage contribution of 50 percent. That surely is inequitable.

Some people would say in New York everybody goes on welfare. I have heard that, and the Members have heard that. The fact is that we do not have the largest number of people on welfare in terms of precentages. Let me just give the Members some numbers, and I draw the distinction in this way.

In New York City people come from all over the country, and they are citizens of the country, and they have a right to travel. The Supreme Court has said that. They become our citizens and, hopefully, they ultimately become wage earners. But in the meanwhile many of them from the Deep South and Puerto Rico and from other States, because of the impoverished conditions there left and come to us, and we were and are required—as we should be—to make sure that they receive at least the minimum sustenance of life.

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

Mr. MITCHELL of New York. I yield to the gentleman from New York.

Mr. SCHEUER. I thank the gentleman for yielding.

Is it not true that people come to New York from other areas of the country, the South and Puerto Rico and other areas, not only because they come from areas that are economically impoverished, but also they come to New York for the benefit of education, for the benefit of an upwardly mobile society by which they can benefit—job training programs, job programs, and the intellectual ferment of a city?

The extraordinary array of public facilities and services and programs that New York offers perhaps to the point of excessive generosity are what they come for. Is it not true that we have loved not wisely but too well the impoverished and upwardly mobile from all over the country?

Mr. KOCH. The gentleman states the problem beautifully.

Ms. HOLTZMAN. Mr. Speaker, will the gentleman yield?

Mr. MITCHELL of New York. I yield to the gentlewoman from New York.

Ms. HOLTZMAN. Mr. Speaker, I would like to ask my colleague from New York City—since there have been so many complaints that New York City is paying too much in welfare benefits—should we not set the record straight that the amount that New York City is paying is set by New York State, and New York City must obey the law and must pay what the State law requires?

Mr. KOCH. Not only that, but what people from other States have to understand is that what we are doing for our citizens is simply providing them with the barest sustenance in most cases. Obviously there will be an individual situation one could point to that is wrong, and we want to remove those kinds of cases, and those kinds of cases could be pointed to in any other city in the country.

But I want to give figures that will really be very relevant and enlightening and, that will be very surprising for some people, and these figures come from a source which is not the State of New York or the city of New York. The source is the Congress of the United States. These were prepared by the Congress. Let me give the Members those figures.

First let me tell what the situation is in New York City, so we can intelligently compare it with others. The fraction of population receiving welfare payments in the city of New York is 12.4 percent. But listen to this. I want to give the Members the figures for other cities that exceed that percentage. For Boston, it is 16.9 percent; for Newark, it is 14.4 percent; for Philadelphia, 16.2 percent; for St. Louis, 15.8 percent; for Baltimore, 16.3 percent; and that is the fraction of population receiving welfare payments in those cities.

I am not pointing a finger at those people or at those particular cities. What I am saying is simply that there are so many shibboleths and there is such a tremendous pejorative mythology that surrounds the city of New York and the people of New York that simply are not accurate. Today we want to use this forum to point out some of these shibboleths and myths.

Let me take the Members to a second area which relates to this: Does the Government have a responsibility to assist a city in need? I believe that it does. I believe that there is a greater obligation on the part of the Federal Government to assist a city in need than there is an obligation on the part of the Federal Government to assist a private company, for example Lockheed. I remember, and I remember so well the then minority leader, now the President of the United States, standing on this floor and supporting the Lockheed loan, and I am not here to attack him for that, nor am I here to attack him at all. This is an attempt to state our problem, not to engage in vilification or partisanship.

Indeed what is so remarkable about this evening is that tonight I am here, a member of the Democratic Party, speaking on the time of my colleague, the gentleman from New York (Mr. MITCHELL) who happens to be a Republican but who is dedicated to assisting the city of New York not only because he comes from the State of New York but because he is an American, because he recognizes that whatever happens to the city of New York happens to the State of New York and ultimately to the 49 other States.

People who read the newspapers know that every paper is filled with what is happening across the country: The increase in the interest cost in the sale of bonds, the increase in the interest cost in the sale of notes, and how difficult it is to raise moneys for any purposes by other cities in other States.

What I am simply saying is that this Congress voted, as it did, to assist the Lockheed Co., and at that time the question was what does Lockheed have that will insure the repayment? Lockheed had nothing—nothing. I was on the Banking and Currency Committee at that time. Unless we believe that they could sell plane parts, unless we believe that the diagrams that they had had a marketable value that came anything close to the $250 million loan guarantee and, in fact, everybody agreed that it was not a bankable loan in the traditional sense, and yet the Congress supported it.

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

Mr. MITCHELL of New York. I yield to the gentleman from New York.

Mr. PEYSER. Mr. Speaker, I think the gentleman's statement there is a very moving one, frankly. I think for the encouragement of all of us who are concerned about New York City and New York State and the country, we do not have far to go. The statements that were just made will help us get over the mark.

I would like to tell this House that as of last Thursday a survey was made by Members of Congress and the question that was put to them, and I will read it exactly, was:

> As long as there are necessary restrictions and the requirement of maintaining a balanced budget, would you support the concept of a loan guaranteed to aid urban areas facing extreme fiscal crisis such as New York City?

So we put that question right there. The interesting thing is that 138 Congressmen were called, which is a good percentage of this body. Forty-three percent said yes, they would. Twenty-eight percent said no, they would not, and 27 percent, which is the group that we are really now talking to, said no commitment at this time. Two percent had no response.

I think it is also important to know that of these 138 Members, 57 were urban Members and they voted 56 percent in favor, 18 opposed, and 21 no commit-

ment. Eighty-one were nonurban Members. They were 33 percent in favor. Thirty-six were opposed and 31 percent, no commitment.

So I think what we are doing today and what the whole group is doing is of the utmost importance, because we have wtihin our grasp the ability to help this city and State and that the Congress will do it.

Mr. KOCH. Mr. Speaker, let me conclude my remarks in this way. As I said at the opening, it is my intention to come back as soon as I perform my obligations at this other meeting. Let us face the fact that in a way some people, not all, surely, I hope not the majority, but there are some people across the country, and I suppose perhaps even in this Congress, who take a certain delight in the discomfort, the suffering of New York City and New York State. I understand that. This Congress reflects the country and there has always been in a sense a kind of a love-hate relationship vis-a-vis the city of New York. I do not know how to analyze that, other than to say very rarely do we find someone who comes from another area that does not say, "Great place to visit; would not want to live there."

I must say, that is exactly what everybody in the country feels about his or her own home town. I happen to love the city of New York.

I went out to Colorado not long ago at the request of a colleague and a good friend. I went to Denver and the adjacent area—great place to visit. I loved the fact that it was America and I was a part of it. I also love the fact that New York is America and my colleague was a part of it. That is really the message that we want to convey tonight and everytime we speak about the city and the State of New York.

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

Mr. MITCHELL of New York. I yield to the gentleman from New York.

Mr. ROSENTHAL. Mr. Speaker, it breaks my heart that the gentleman from New York (Mr. KOCH) is making such an articulate, eloquent presentation and there are only three Members on the floor not from the State of New York.

There is one Member from Iowa, one Member from Maryland, and one Member from California. There are 3 non-New Yorkers on the floor out of 15 Members altogether in probably one of the most crucial issues in the 200 years of this Republic. I want to commend the gentleman from Iowa, the gentleman from Maryland, and the gentleman from California for staying here and participating by listening.

The gentleman from New York (Mr. KOCH) is making a very important—I used the word elegant and I meant it—speech of what America is all about.

The fact of the matter is, I believe, that when push comes to shove, the gentleman from Iowa, the gentleman from Maryland, and the gentleman from California, all want to do what is right for the country. The only difference of opinion we will have is the way to do that, the mechanical device to be used to keep this country from going down the road to economic depression. I only regret that the other 420 odd Members of this House are not here this evening to listen to this very important exposition of a very significant matter.

Mr. KOCH. Mr. Speaker, I thank the gentleman for his kind comments on my statement. Again, just in closing, it would be an enormous tragedy—an enormous tragedy—if the city of New York not only went into, in effect, bankruptcy and had the services devastated as they are to some degree today but even more in that event, but suffered the bitterness that would flow from knowing that in a moment of need, that the rest of the country turned its back on that area that was the entrance to the United States. People from all over the world came to settle in the United States, whose descendants many of us are. They came through the Port of New York and then went to Minnesota and Mississippi and California. We still have our goal in life, although perhaps we did not perform it as well as we should, and there is enough blame to go around, but our goal surely could not be faulted nor are we to be ashamed of it, which was to make it possible for those people, whether they came from the Deep South or Puerto Rico or whether they came from Europe or Asia, to find a place that was sympathetic to their aspirations; that would give them the opportunity of ultimately entering into a full decent life for themselves and their families.

We have failed. We took on what was the Federal Government's responsibility and we did not have the means to do it, and we have failed. But, most important would be if, in our hour of need, the country were to fail us. That would be a terrible thing to happen—a tragedy. Such an abandonment by the country of its largest city would embitter our citizens for generations to come. That must not happen.

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

Mr. MITCHELL of New York. I yield to the gentleman from New York.

Mr. STRATTON. Mr. Speaker, I thank my colleague from New York (Mr. MITCHELL) for yielding. In a year when the seniority system has been given a rough shove, let me just say that, as the second most senior Member of the New York delegation, I rise in support of the effort to provide assistance to New York State and I sympathize with the concern expressed a moment ago by the gentleman from New York (Mr. ROSENTHAL) that not very many Members were on the floor to hear our presentation. But, perhaps the words we speak today may be read in days to come by other Members of this body in the CONGRESSIONAL RECORD, and perhaps they may have some impact on the outcome.

Mr. Speaker, I rise in support of legislation to provide emergency assistance to New York City in the face of its present grave financial crisis, as well as to other cities that may at some future time be similarly affected. I believe this legislation is needed for two reasons. First, because the size of the problem which New York City faces, namely the ability to roll over bonded indebtedness to the order of from $4 to $5 or even more billion, makes it clear that no other agency except the Federal Government can provide meaningful assistance in that amount for any length of time.

Second, Mr. Speaker, it seems clear to me that the real question confronting this House is not whether we are going to help New York City but when. In other words, the real question is whether the assistance which the Federal Government is in a position to provide will be provided before New York moves into a state of default, or whether we provide it after that event occurs. I think the point that has been overlooked in much of the discussion on this subject is that if New York City does go under and does go into default there will unquestionably have to be Federal legislation to deal with this unique situation; there will undoubtedly have to be additional Federal payments made to meet the added unemployment and welfare costs that might be involved in that situation; and undoubtedly some kind of Federal provisions for meeting the financial obligations that this bankruptcy involves; and for also for helping to restore the market impact that will result from that bankruptcy, as well as the increased costs in interest rates to other municipalities, not only in New York State but elsewhere.

I believe we must enter the picture before this event occurs rather than after, and I do so for two reasons. First, because no one knows for sure what would be the full impact of such a municipal bankruptcy of the size that would involve the city of New York. No one, for example, can clearly indicate just how far the ripple effect would go, whether it would involve the State of New York, for example, which is entirely possible; and, whether it would also involve other municipalities in New York State and other units of local government, including school boards, with no real direct bearing on New York City at all. No one knows how much this default might affect the economy of the country as a whole at the very time when we feel we are moving out of the recession and have every likelihood of continuing to move upward and expand our production. Maybe these events will not occur; nobody can predict for certain. But is it really wise and sensible for Congress to take a chance that all these events might occur, rather than act now while we have time to prevent them?

Second, Mr. Speaker, there is another strong argument for moving in before rather than after, and that is that if we do the job right the chances are that the assistance that we will provide will not cost the Federal Government anything, that indeed it might even make the Federal Government a little money. This does not mean there will not be a very substantial cost resulting from the tragic financial situation in which New York City has involved itself, but that cost will be borne by the people of the city of New York rather than by the Federal taxpayers, and the extent of the changes and sacrifices which will affect New York City as a result of its current crisis are already clear as Governor Carey indicated dramatically and eloquently to the committee a few days ago. All that would be required, as has been indicated by

most of the bills introduced to deal with this situation, would be a Federal backup or a Federal guarantee of bonds issued in behalf of New York City, and if the conditions surrounding that guarantee required New York to move expeditiously onto a fiscally sound and fiscally balanced budget, then that guarantee would simply provide time for New York City to reestablish its credibility and move back into the open bond market, at which time the Federal guarantee would no longer be required.

One might question, Mr. Speaker, what a Congressman from upstate New York is doing before this House urging legislation to help out the city of New York. We have all been aware in recent days of the ill feeling which many sections of our country hold toward the city of New York, and it should be no great secret to Members of this House that these sentiments are to some extent shared also by the people of upstate New York. Each year when the election rolls around one of the strongest arguments that many upstate candidates present is that if you do not elect them, then New York City will be running the upstate area as it runs the rest of the State.

But the fact is that residents of upstate New York, in my district and I am sure in other upstate districts, are lately beginning to understand that what happens to New York City could, willy nilly, affect them. They are no more anxious to "bail out" the city of New York than are the people in other States. But they are beginning to realize, as I hope the Members of Congress will also soon begin to realize that it is not really a bail-out operation that we seek, but rather, as Governor Carey has put it, a backup operation. No one is suggesting that the Federal Government should dole out money for the financing of day-to-day operations of the city of New York, which would then likely go down the drain and never be recovered. And yet that is still the general impression which is being created in the minds of millions of citizens around the country as we debate the legislation pending before this Congress.

The people of upstate New York also recognize that, if the Federal Government does not step in to help New York City, they themselves would eventually prove to be the last resort, that what would follow from a serious default in New York City would mean higher, perhaps even prohibitive interest rates for their own municipal and school board borrowings as well as higher taxes to help make up the New York City deficit. And this is the one thing above all else that the people of upstate New York most strongly oppose, since for many years they have had the very dubious distinction of living in most heavily taxed State in the Union.

So, in coming before this House to urge the adoption of legislation, I do so fully recognizing the hesitation and concerns that have already been expressed by many Members of this body.

So why come before this House with another bill? While I am supporting the general proposition of legislation to help New York City, I am also plugging my own legislation on this matter, H.R. 10362. The reason I am offering this particular piece of legislation, which I have been developing over a period of about a month, is that I fear that none of the bills presently pending on this matter, both here and in the Senate, is likely to get the majority support that is necessary to get the bill passed and over to the White House for signature.

The two major bills being considered, the Rees bill in the House and the Humphrey bill in the Senate, both have serious defects. The Rees bill limits its guarantees to full faith and credit obligations, and, therefore, cannot apply to the New York situation since the primary type of obligation which is involved there are MAC bonds issued by the State but not backed by full faith and credit. The Humphrey bill, being considered in the Senate, would require a 2-cent addition to New York State's sales tax to wipe out part of the annual operating deficit of the city; this would be absolutely impossible to get enacted into law in the State legislature for the very reasons I have already spelled out about the strenuous opposition of people residing outside of New York City to being required to pay even further sums to make up for New York City's own fiscal problems.

My bill would proceed on the general guarantee approach to this problem, but it would do several other things that I think have to be done to generate support in the House for any New York assistance legislation, and which are not provided in the other legislation being considered.

First, it would require a balanced budget in New York City within 18 months, rather than the 3-year period generally assumed by sponsors of other legislation. I feel very strongly, based on my own soundings, that we are going to have to be very tough on New York to get any support for this legislation; and I think it makes good sense to require that the city get operating on a balanced budget as early as possible after a Federal guarantee is provided if we are realistically to reestablish the market confidence in the city that must be provided if we are to extricate ourselves from the backup procedure at the earliest possible time.

In addition, H.R. 10362 would impose a direct Federal Overseer over New York operations, with absolute veto power over all New York City expenditures and commitments during the period of the guarantees, including, incidentally the authority to reopen and reexamine existing commitments, such as long-range retirement and other benefits, which the Overseer might reasonably believe would mitigate against the city moving toward a balanced budget as rapidly as required by the legislation, or maintaining a balanced budget after the period of Federal involvement had come to an end. In fact this overall authority might even involve the kind of reorganization of the New York City's debt structure which has been discussed in the press by Members of the Senate.

Such debt reorganization might be desirable, but I think it is unrealistic to expect it to be carried out in time for this legislation to get adopted soon enough to do any good. In addition, under my bill the Federal Overseer would have top authority over the operation of the Federal welfare system within the city, thereby with instructions to make a clear-cut effort to improve the efficiency of the city's welfare system and reduce any possibility of fradulent or improper payments.

In addition, the imposition of a Federal Overseer is the kind of thing that must be included in any legislation of this kind in order to answer the objection that has been frequently raised, that if we pass such a bill then every other city in the U.S. will be encouraged to seek similar Federal assistance. It is absolutely necessary that the conditions which we impose upon New York City for getting the aid which it requires contain no incentive for other cities to enter lightly into a similar situation in the hope of receiving easy Federal assistance. The requirement of a balanced budget within 18 months is certainly not something that is likely to be welcomed by New York or other cities in similar situations; and in addition the imposition of a Federal Overseer with final authority over city operations as well as over the operations of the State's emergency financial control board, would be a feature that very few States and very few cities would ever want to enter into lightly.

Incidentally, I do not visualize this Overseer as undertaking the day-to-day operation of the city. But he would have absolute veto privileges when some action or some commitment would seem to him to jeopardize the objective of putting the city promptly on a balanced budget.

No other legislation has been introduced, so far as I am aware, that provides this on-the-spot Federal control during the period of the guarantees. I do not doubt the State's emergency financial control board has already done a remarkable job in reorganizing the city's finances and they may well prove able to implement the tough plan which they have developed as time goes by. But it would be a mistake for us to put $5 billion of Federal money on the line for New York City without some direct Federal control. I just do not think we can justify risking this amount of money and then rely entirely on some State agency to protect the Federal investment.

Finally, my bill would put a $5 billion limit on what the Federal Government could guarantee to any one city. This would cover the $4 billion which the city apparently needs at the moment, plus the additional operating deficits which would be incurred over the 18 months period required to get the city onto a balanced budget. Previous testimony has suggested that the guarantee needs of the city might go as high as $7 to $12 billion. This figure strikes me as completely out of the question. A top limit must be put on what the Federal Government is willing to guarantee, and the smaller the limit the more likely we are to get the legislation approved. Finally, my bill puts a total limit on the total amount of guarantees provided under the Agency which my bill creates—STAMINA—of $10 billion outstanding at

any one time to municipalities similarly in need of emergency assistance.

I appreciate the opportunity to present this legislation directly to the House, and I urge its favorable consideration of some bill similar to H.R. 10362, under leave to extend my remarks I include a copy of H.R. 10362:

H.R. 10362

A bill to establish a Short Term Agency for Municipal Insurance and Normal Accounting to provide short-term guarantee; for certain obligations intended to provide emergency assistance to certain municipalities

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Short-Term Agency for Municipal Insurance and Normal Accounting Act of 1975".

DEFINITIONS

SEC. 2. For the purpose of this Act—

(1) the term "State" means any State of the United States or the District of Columbia;

(2) the term "municipality" means any city, county, town, township, village, or other general purpose political subdivision of a State; and

(3) the term "applicant" means any State or municipality which has filed an application for assistance under the provisions of this Act.

ESTABLISHMENT OF THE AGENCY

SEC. 3. (a) There is established a Short-Term Agency for Municipal Insurance and Normal Accounting (hereinafter referred to as the Agency) composed of the Secretary of the Treasury, as chairman, the Secretary of Housing and Urban Development, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Securities and Exchange Commission.

(b) Subject to such rules as may be adopted by the Agency, the Chairman (1) may appoint and fix the compensation of personnel as he deems appropriate, and (2) may procure temporary and intermittent services to the same extent as is authorized by section 3109(b) of title 5, United States Code, but at rates for individuals not to exceed $100 per diem.

SEC. 4. As is appropriate to fulfill its duties under this Act, the Agency is authorized—

(1) to enter into and perform contracts, leases, cooperative agreements, or other transactions;

(2) to promulgate rules; and

(3) to inspect and copy all accounts, books, records, memoranda, correspondence, and other documents of any municipality whose obligations are guaranteed pursuant to this Act.

FUNCTIONS

SEC. 5. The Agency shall determine the eligibility of and approve applicants for emergency municipal assistance under this Act for the purpose of avoiding the interruption of municipal services essential to the inhabitants of such applicants. Such determination shall be made by a majority vote of the Agency after review of information submitted by an applicant in accordance with the standards established by section 7 of this Act. Such determination shall be made by the Agency within ten days of the receipt of an application for assistance under this Act.

AUTHORIZATION

SEC. 6. (a) Upon determination by the Agency pursuant to the provisions of section 5, the Secretary of the Treasury shall, upon terms and conditions prescribed by the Agency, guarantee, or enter into a commitment to guarantee, on a short-term basis, holders of obligations issued by the applicant against loss of principal or interest payable on such obligations.

STANDARDS AND DEFINITIONS

SEC. 7. (a) To be eligible for assistance under this Act, an applicant must demonstrate to the satisfaction of the Agency that—

(1) it has made a bona fide attempt to obtain private financial assistance and has failed in such attempt; and

(2) the obligation has been issued by the State or by a State agency specially created for the purpose of financing municipalities to which the private capital market has closed; and

(b) If the applicant is a State, it shall furnish to the Agency and the Secretary of the Treasury, and if the applicant is a municipality under the jurisdiction of such State, it shall furnish through that State with the endorsement of the Governor thereof, a plan which, subsequent to its initial submission by the applicant, may be amended by a majority vote of the Agency, detailing the applicant's projected revenues, expenditures, scheduled borrowings, debt service costs, and such other information as the Agency may require for a period of three years after the date of anticipated assistance under this Act. Such plan shall also contain specific proposals designed to assure achievement of a balanced operating budget under normal and standard accounting practices as soon as practicable but in any event within 18 months of the receipt of assistance under this Act;

(c) Each applicant must agree in writing that a member or designee of the Agency will have authority during the period of the obligation guaranteed pursuant to this Act to prevent any expenditure or commitment by the municipality involved if such expenditure or commitment is likely to impair such municipality's continued operations under a balanced budget;

(d) Interest on obligations guaranteed under this Act shall not be tax exempt.

SEC. 8. No guarantee under this Act shall continue for more than three years, except that the Agency, by majority vote, may extend this period for not to exceed two additional years.

SEC. 9. The Agency shall appoint for each municipality granted assistance pursuant to this Act an individual designated to act as Federal Overseer for such municipality for the duration of the guarantee, with his principal place of business located within the borders of such municipality. Subject to overall direction by the Agency, the Federal Overseer shall—

(a) insure that such municipality continues to operate in accordance with the plan referred to in section 7(b) toward achieving a balanced budget in the shortest possible time;

(b) exercise top direction over all federally financed and assisted welfare programs within such municipality, to insure maximum efficiency and prevent fraudulent or excessive payments to recipients; and

(c) disapprove any expenditure or commitment by such municipality, and require the reconsideration of any existing long-range commitment, if in his opinion such expenditure or commitment will significantly impair such municipality's ability to operate under a balanced budget or otherwise redeem financial obligations guaranteed under this Act.

SEC. 10. The maximum dollar amount of all outstanding guarantees authorized under this Act shall not exceed $10 billion at any one time. No municipality shall receive in guarantees under this Act more than $5 billion.

Mr. MITCHELL of New York. Mr. Speaker, I would like to put two additional statements in the RECORD. They are as follows:

EFFECT OF A NEW YORK CITY DEFAULT ON THE REST OF THE COUNTRY

(From the Statement of The Honorable Moon Landrieu, Mayor of New Orleans, Louisiana and President of the United States Conference of Mayors and the National League of Cities before the Senate Committee on Banking, Housing and Urban Affairs, October 18, 1975:)

The economic and financial impact of New York City's financial crisis on the nation's cities and the great uncertainty about the consequences of default motivated both the National League of Cities and the U.S. Conference of Mayors to act. In mid-September, the Executive Committee of the Conference adopted a policy of federal guarantee of bonds of states and municipalities with such bonds being subject to federal taxation . . .

Subsequent to the adoption of this policy, fourteen Mayors of the Executive Committee of the Conference testified before the Joint Economic Committee as it assessed the consequences and the possibilities of a New York City default. We pointed out that the problems of New York City were not unique to that one city—the seeds of the New York crisis are throughout the nation. The Mayors appearing that day represented a cross-section of the United States, both in terms of geography and in population bases—the Mayors of Newark; Syracuse; San Francisco; Milwaukee; San Leandro, California; Gary, Denver, Anchorage, Alaska; New York; Detroit; Cleveland; San Juan, Puerto Rico; and New Orleans. We were concerned then as we are today about the impact of a possible New York default on the people of New York City, Detroit, San Francisco, Cleveland, and all over this country. We were concerned then as we are today that the collapse of New York City or default by New York of its obligations will make it extremely difficult, if not impossible, for any city to borrow money. The impact was being felt then and it continues to be felt. Atlanta, a triple A rated city, went to the market two weeks ago and had no takers. Detroit recently paid 9.9%, 1/10th of 1 percent shy of the Michigan statutory limit on the amount of interest that can be paid on an issue. States and cities around the country are being slapped with higher-than-normal interest rates due to, according to the bond counsels advising these governments, the uncertainty created by New York City's financial crisis.

Simply stated, during the past few months, cities are offering issues and are either not receiving bona fide bids or they are receiving record high bids which they must unwillingly accept if the funds are absolutely necessary or they reject the bids.

THE EFFECTS OF DEFAULT ON THE REST OF THE COUNTRY

(From the testimony of Ellmore C. Patterson, Chairman of the Board of Morgan Guaranty Trust Company of New York before the Ashley Subcommittee on October 20, 1975:)

Making an unconditional judgment about the full scope and severity of the repercussions that might flow from default is simply impossible. Repercussions might be seriously troublesome to the national economy. On the other hand, they might be much more muted than the grimmer possibilities suggest. The fact that neither we nor anyone else can know with certainty what the outcome of default would be seems critically relevant to the matter of whether this Congress should take some action. I am not disposed in principle to urge Federal government involvement in the affairs of a State or municipality. But, in this instance, I have come to the conclusion that a Federal role is inescapable if default is to be avoided.

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

Mr. MITCHELL of New York. Yes, I yield to the gentleman from New York.

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

Mr. MITCHELL of New York. Yes, I yield to the gentleman from New York.

Mr. ZEFERETTI. Mr. Speaker, the city of New York is in desperate financial trouble. To go into the details of the situation is unnecessary at this point in time. All of us here are at least generally familiar with our state of affairs. The basic question confronting us is whether or not the Congress will allow a Federal financial guarantee to be given to New York City. This does not involve a commitment of Federal funds in any manner. Not a dollar of Federal money will be laid out ahead of time to pay the city's bills. What instead would be made available is a Federal guarantee to back up the basic reforms New York City is in the process of implementing in order to set its financial house in order.

Such a commitment by National Government is not a novel event. Similar guarantees have been given before, and to a variety of causes and entities which have not had as much intrinsic worth as New York City, the Nation's largest urban area. Lockheed Corp., a defense contractor which had mismanaged numerous programs, was in danger of going bankrupt, and the Federal Government made a guarantee available. The Penn Central Railroad, perhaps the worst managed corporation in modern history, was saved from immediate bankruptcy by a similar Federal guarantee. In fact, that guarantee and what has grown from it has been the only element in the equation of that railroad that has allowed it to survive this long.

Around the world the United States is still, 30 years after the end of World War II, playing Santa Claus to a variety of nations in the form of foreign aid. Some of these investments are sound and necessary. Many are not. If we can still afford to bail out one regime after another, if we are still willing to pour billions into one foreign adventure after another. If we are willing to give massive sums to one worthless government after another, why can we not offer a financial guarantee to New York City?

The United Nations, held in universal disrespect as a showplace for nonviable States and an echo chamber for Third World, anti-American rhetoric, continues to receive massive quantities of direct American financial contributions.

Egypt, which has for years been a staunchly pro-Russian state in the Middle East, suddenly becomes a prime candidate for hundreds of millions of dollars worth of U.S. financial and military aid.

All these commitments are given with no reasonable expectation of repayment. In fact, most are made with the full knowledge that many will turn out to be mere speculative ventures with an almost sure guarantee of failure.

There are 8 million New Yorkers, and 12 million people in the immediate area around the city, largely dependent upon this suburban area for their livings and well-being. Those millions of people are all Americans who pay vast quantities of taxes to the Federal Government. Much of their tax money is committed to the ventures I have described, and large sums go to various domestic programs here, from which they derive no direct discernible benefit. New York pays more revenues to the Federal Government than any other comparable constituency in the Nation.

Further, New York has taken vigorous, numerous steps to set its financial house in order, and these moves have taken the city far toward its goal of extrication from its publicized financial difficulties.

To stand by and refuse to let the city have even this financial guarantee is to harm our entire Nation. We are all tied together: Inseparable as a Nation. The ties that bind are national and cannot be removed or rejected by any one constituency. If New York City goes down in financial disaster, it will inevitably take other parts of the Nation with it. The size of the collapse would be monumental, eventually reaching into every corner of the Nation's money markets. It also would hinder the entire range of interests served by the unique entity that is New York. To stand by and jeer in derision while New York goes under is for one man to enjoy the sight of another man drawning, heedless of the fact that they are tied together.

The financial guarantee is vital, reasonable, and fair. The House should act accordingly.

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

Mr. MITCHELL of New York. Yes; I yield to the gentleman from North Carolina.

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

A statement which I will submit for the RECORD, will, in effect, say that so long as the city of New York continues the expenditure program that they have already obligated themselves for, such expenditure being too expensive for the taxpayers of the city of New York, they are, therefore, too expensive for the taxpayers of the rest of the country as well. However, should certain safeguards be enacted, some of which have been spelled out here by the gentleman from New York, if these kinds of procedures can be enacted so as to reduce the expenditure obligations of that city, and if there were an additional provision somewhat along the lines of the North Carolina Local Government Commission, which passes on bond issues of city and county governments, if they can in that way show that they are prepared to turn the ship away from the rocks so that they do not direct the tugboats unto the rocks, I would be prepared to assist them.

Mr. Speaker, an editorial cartoonist recently portrayed New York City as a huge luxurious ocean liner that was going aground on a rocky coastline. Sitting beside it was another similar ship in the same precarious situation. The message was clear. New York is financially on the rocks. Other cities could follow. The Federal Government is in the same predicament. Both have been living beyond their ability to pay for expensive spending programs. Both have been living high, and borrowing to pay for it. Both are trying to spend their way out of debt.

New York City needs $4 billion by June 30, and has made an impassioned plea for help to the President and Congress. Simply stated, New York is asking the taxpayers of the country to pay for years of bad management and lavish spending which have brought the city to the brink of financial disaster. This could set a dangerous precedent that could have other financially troubled cities looking to Washington for increased financial aid. With a $555 billion Federal debt, the country has enough problems.

On the other hand, financial collapse by New York City could threaten the ability of other cities to finance even legitimate ventures.

As the debate accelerates on relief for New York, Congress should examine why that city got where it is today and then ponder future spending by the Federal Government. Congress should consider where the "free lunch society" proposals will lead us. Consider a couple of examples which led to New York's problems.

It has the best paid city government workers in the country. Fat municipal union contracts have allowed featherbedding to become a way of life in the city. Bus drivers work 8 hours per day and get paid for 11 hours. Subway coin changers are paid $229 per week, nearly $12,000 a year, while a bank teller averages $165 per week.

New York City has a free university system, with additional $120 per month subsidies for some students. That is nice, but they cannot afford it. Why should we?

The city also has the highest welfare benefits in the Nation. One out of every eight New Yorkers receives benefits.

New York officials of both parties have failed or refused to accept the need to reform its lavish spending policies. Even faced with financial chaos, city leaders have been slow to react, dragging their feet on improvements. The city must take drastic steps to put its financial house in order. It could begin by cutting expenditure obligations, both present and future.

Furthermore, I would strongly urge the New York State Legislature to consider creating a fiscal disciplinary unit along the lines of the North Carolina Local Government Commission. This commission would scrutinize the expenditures and revenues of any municipal or county government and pass upon the ability of the local government to meet its bond obligations. This has worked well in North Carolina. It should be adapted for New York.

What should we do? We should not pay the bills for extravagance. Yet, if city officials will take fiscal control of their ship, pump the waste out of her bilge and put her bow up through sound management—even then some temporary assistance may be needed to help tow her off the rocks. In that case, it would be difficult to abandon her if with timely help she can be restored. But without firm adoption of sound principles that have not characterized the city's past leadership, it would be difficult to justify bailing out a ship whose skipper and crew

refuse to turn her around. Not when most folks would just as soon bail them in.

If New York City insists on lavish salaries and patronage excesses and free college tuition—extravagances which New York citizens obviously cannot afford to continue for themselves—then they must realize that the rest of us cannot afford to pay their bills either.

Mr. MITCHELL of New York. Mr. Speaker, I was not initially oversympathetic with respect to New York City's dilemma, but I am convinced now that they do have the mechanism to adopt sound fiscal policies, and I am convinced that the Big MAC Board does have the determination to restore fiscal integrity.

I think we have to admit from the outset that New York City has been guilty of violating a lot of sound fiscal policies. We can assume that from what has happened in the past.

Mr. MARTIN. Mr. Speaker, I think the gentleman will agree that any mechanisms they set up should be sound ones so that they would not go back to what is happening now.

I thank the gentleman for yielding.

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

Mr. MITCHELL. I yield to the gentleman from Maryland.

Mr. BAUMAN. Mr. Speaker, I appreciate the gentleman yielding to me and I also appreciate the comments of the gentleman from New York (Mr. ROSENTHAL) earlier about those of us who are not from New York City still being willing to stay and listen to the special orders. Quite frankly, I might say that I stayed because I did want to become a little edified about the steps that are proposed to be taken in New York to help solve their problem. The gentleman from Illinois (Mr. ANDERSON) alluded to this about an hour ago, to the fact that some specific steps and measures can be taken to help the situation.

I have listened very attentively to the legislative proposals that are going to be submitted and yet during all of this time I have heard nothing specifically from the Members of the New York delegation as to specific proposals to help New York City and to help New York State, or as to suggestions as to what is going to be done about the current situation.

New York City has been running a deficit for more than a decade and it has gone up until now it is about 13 percent of their total budget.

Earlier today I alluded to the $8½ billion in fiscal year 1974 of Federal outlays to the city of New York, much of which were in direct payments to the city government.

In the city of New York they are running a city university system that is larger than 42 States with no tuition for the undergraduates and with an open enrollment for high school students. In Maryland, our students have to pay a tuition. We do have a better break I believe than some States for out-of-State students.

Let me also ask what about the subway fares and the transit fares? Are they likely to be raised? What about the totally unfunded pension system?

Mayor Lindsay when he took office many years ago said there was not any problem in New York City that could not be solved by more money and he has proved he could get more money because he doubled the budget.

Here the New York delegation tonight is asking for help.

I would hope that instead of just merely discussing the problems of New York City that the Members participating in these special orders would tell us specifically point by point what the city of New York intends to do to reverse the procedures and to reverse the problems. Obviously you are coming to the Congress and coming to the Federal Government and you are making requests for assistance, and yet so far I have not heard what the proposal is. Maybe in all of the extension of remarks that some of the Members will put in that will be included. But, I repeat, some of us would like to hear specifically what the plan is.

Mr. BADILLO. Mr. Speaker, if the gentleman will yield, the gentleman from Maryland raises a good point. The final package of cuts by New York City actually has not been developed, but, if I may, I would like to try to answer some of the points that the gentleman has raised. I might further say some of the cutbacks by the city are going to be included in the presentations that some of us will make at a later time. But, just to make sure the gentleman gets an answer immediately and directly I will point out to the gentleman that first of all the exact amount of the deficit for previous years and this year was agreed upon by the Governor, the mayor, the State comptroller and the city comptroller and the figures have been made public and are available to all of the Members of Congress. In that connection, Mr. Speaker, I ask unanimous consent that the Accumulated Deficit be made part of the record at this point.

The SPEAKER pro tempore (Mr. WOLFF). Is there objection to the request of the gentleman from New York?

There was no objection.

(The material referred to follows:)

1975–76 and prior-year deficits

[In millions of dollars]

Real-estate taxes:		
Reserve for real-estate taxes	-----	260
Amount of prior year uncollected taxes to be written off that have resulted from court tax cancellations, in-rem foreclosure proceedings, tax exemptions and abatement for Government-subsidized privately owned housing	502	---
General-fund June accrual: When funds come in, treat as cash for the year collected	358	---
General-fund shortfall:		
1974–75	-----	---
1975–76	99	---
State aid, Federal aid and other receivables	-----	60
1971–1972	12	---
1972–73	90	---
1973–74	256	---
1974–75	250	---
1975–76	-----	150
New York City Stabilization Reserve Corp	520	---
Deletion of increment in general-fund borrowing for 1975–76	-----	30
M.A.C. costs and debt service for 1975–76	-----	264
Accrual payroll conversion (12 days) for 1975–76 (including education)	105	10
Police, fire and correction overtime for 1975–76—cash to accrual	25	---
*Various O.T.P.S. items for 1974–75 and 1975–76 cash to accrual	95	10
June 30, 1975, tax deficiency deficit (net)	100	---
Shortfall in limited profit housing and parking revenues	-----	47
State education aid—to eliminate the need of the city to borrow against State aid received after the close of the fiscal year	170	---
Total	2,582	831
Less: Savings from pay freeze	-----	105
Total	2,582	726

*In addition, $15 million of savings will be used for this purpose in 1975–76.

Mr. BADILLO. Mr. Speaker, I would point out to the gentleman from Maryland that this accumulated deficit includes such matters as real estate taxes which were due in previous years but were not collected. It includes all of the practices which led to difficulties in the city over the years, such as over-estimated revenues and under-estimated expenses.

So we now have an amount of $2,582,000,000 for previous years and $726 million for this year as the accumulated deficit to date.

In order to insure that these practices will not be continued in the future, the city of New York has agreed and the emergency financial control board has mandated that a new accounting system be implemented for this year which is the accounting system mandated by the State comptroller's manual and that is now the system that is in use by municipalities throughout the country, which have the highest rating in terms of revealing what is happening in their financial operations. That accounting system will be in operation for this fiscal year in New York City and will continue in operation for years to come.

In addition, and more specifically, the employees of the city of New York have been reduced from 294,522 on December 31 of 1974, to 263,346 on September 30 of this year.

For example, the police department had 35,411 men and women in the force at the end of December of last year. The

number is now 31,266. The fire department, the sanitation department, the board of education, the board of higher education, the hospital corporation, all city agencies have been reduced in number through September 30. I want to point out to the gentleman that the reduction in numbers will continue in the fiscal year to come.

The statement is as follows:

Employee group	Employees Dec. 31, 1974	Sept. 30, 1975	Reduction
Police	35,411	31,266	4,145
Fire	14,003	12,518	1,485
Sanitation	14,295	12,295	2,000
Social services	26,768	24,023	2,745
Board of education	79,852	72,775	7,077
Board of higher education	20,009	18,573	1,436
Hospitals corporation	46,780	41,733	5,047
Other	57,404	50,163	7,241
Total	294,522	263,346	31,176

I want to point out to the gentleman that altogether there was a $1 billion cut in services in this year's budget, and that included $400 million due to layoffs.

In addition, as the gentleman may know, there was an agreement with most of the labor unions that they would not receive any increases for the next 3 years, or until the emergency is at an end. This has been written into the law by the city council and agreed upon by most of the unions. Some of them, like the Patrolmen's Benevolent Association, have not agreed, but they are subject to the law passed by the city council.

In addition, as the gentleman may know, the subway fare was raised from 35 cents to 50 cents, and bus fares were raised by the same amount. The tolls on the bridges and tunnels were raised as well. The toll on the Triborough Bridge, the Throgs Neck Bridge, and the Whitestone Bridge also increased from 50 cents to 75 cents. The Midtown Tunnel toll was also increased, and other bridges received a comparable increase.

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

Mr. MITCHELL of New York. I yield to my colleague.

Mr. SCHEUER. I thank the gentleman for yielding.

The bridge connecting my district, the Rockaway Peninsula, with the mainland of New York, had a 10-cent toll 2 years ago. It went up to 25 cents about a year ago, and now it has gone up to 50 cents, a fivefold increase in a matter of about 24 months.

Mr. BADILLO. I want to point out, too, that the capital budget of New York City was substantially reduced, as also stated by the gentleman from New York (Mr. FISH), earlier today, in fact so reduced that it may be harmful to the city because thousands of jobs will be lost and many schools, firehouses, and other public buildings which are essential to maintaining the physical plant of the city, will not be built. This includes, too, the proposed convention center which was geared to bring about an increase in the tourism business for New York City. It also includes a proposed industrial park in my own district which was going to be built at the site of the Penn Central railroad yards and which would have brought about a great increase in employment in the area.

These are some of the specific cuts that have been effected by New York City to date. They are very specific, very precise, and I must say to the gentleman they are also very harmful in the sense that they substantially reduce essential services to the people of the city.

I have cited figures like police, firemen, and sanitation men to indicate that New York City has gone deep into its civil service force in order to make the cuts to demonstrate to the people of the country, to the bankers, and to the Members of Congress, that it is in fact willing to take painful cuts.

Mr. BAUMAN. Mr. Speaker, would the gentleman yield so that I might respond?

Mr. MITCHELL of New York. I yield to the gentleman from Maryland.

Mr. BAUMAN. I thank the gentleman for yielding.

I want to thank the gentleman for being very specific in his reply. I will look forward to his extended remarks in the RECORD tomorrow, because I think he is giving us the kind of information that the entire House of Representatives will need before we can pass upon this intelligently. But I would only tell him that the problems that he is facing in New York City are being found in many areas of the country.

The city of Baltimore right now in our State Transportation Department is apparently not going to build a subway system because we cannot afford it. Many other areas have operated on that principle of not doing what they could not afford. Before we know that our people are going to be asked to foot the bill, we are going to have to see specific proof of the good faith of New York City and its representatives.

I do appreciate the gentleman's giving me this information, and I want to say for the record this should not be construed in any way as an announcement of my position on this matter. I want to make that very clear.

Mr. SCHEUER. Will the gentleman yield further?

Mr. MITCHELL of New York. I yield to the gentleman from New York (Mr. SCHEUER).

Mr. SCHEUER. Mr. Speaker, I want later to express my great admiration for my colleague, the gentleman from New York (Mr. MITCHELL), for his remarks, but first let me address myself to the remarks made by the gentleman from Maryland (Mr. BAUMAN).

It is perfectly true, and I do not think anyone would deny it, New York in the past decade or so has made mistakes. As I said before, we have loved not wisely but too well. We have been looked upon among the cities of our Nation as being the gateway of America to a better life for millions of people from other parts of the country, from Puerto Rico, from the South, places where they did not have as effective a school system or social welfare system. Those impoverished people migrated to New York and there encountered the complicated problems of a big city and all the uncertainties and frustration of life in a big city. But those people came there for a reason. New York City was a beacon. We had an educational system second to none, including a free city college system.

Perhaps many of us feel now that we cannot afford a free city college system and maybe we should turn it over to the State university system. Maybe we cannot afford it any more. But criticize us only for excessive compassion.

That city college system has produced Dr. Jonas Salk and countless other thousands of people who have made great contributions to our national life.

Foregive us if we spent this year $2,500 for families for hospitalization. Maybe we cannot afford that. Maybe we must cut down on the municipal hospital services.

But again I say we have loved not wisely but too well. We have governed with an excessive degree of compassion and humanity, stemming from our political and religious beginnings. New York City has been the beacon that attracted millions of people from Europe to this country. Perhaps out of an excessive zeal for the poor, New York City has offered services which it could not afford. But if it did, is that not a reflection on the fact that we have shouldered burdens that should have been shouldered by other sections of the country and other taxpayers and other municipalities and other States?

I think we are going to have to reduce our perception of what is possible and what is do-able in the future.

But I think this rancorous, bitter, ugly recrimination about New York for its spendthrift ways is inappropriate and not a felicitous way to approach the solution to the problem.

The taxpayers of New York did not do all this for the middle-income and upper-income people. The gentleman from New York (Mr. ZEFERRETI) did not benefit from those services. I did not benefit from those services and others did not benefit. New York did it for the impoverished. We felt with the poet Browning:

Ah, but a man's reach should
exceed his grasp,
Or what's a heaven for?

The SPEAKER. The time of the gentleman from New York (Mr. MITCHELL) has expired.

FISCAL CRISIS IN NEW YORK CITY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. ROSENTHAL) is recognized for 60 minutes.

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

Mr. ROSENTHAL. I yield to the gentleman from New York (Mr. SCHEUER).

Mr. SCHEUER. Mr. Speaker, briefly let me continue.

I think our reach has exceeded maybe our grasp, I will say to the gentleman from Maryland (Mr. BAUMAN), but I think we should eschew ugliness and bitterness and go on from where we are. Let

us look at the future and let us eschew the blame for the past. When things go right, there is credit enough for everybody, but when things go wrong there is blame enough for everybody.

I do not believe in blaming. I do not believe in finger pointing, but let us look at today's New York Times. There is an article on page 35 of the New York Times about a public housing project, public housing completed at a cost——

Mr. BAUMAN. $70,000 a unit.

Mr. SCHEUER. $69,000 a unit. Does the gentleman think that is sound or prudent?

Mr. BAUMAN. Certainly not.

Mr. SCHEUER. Does the gentleman realize this is a federally financed, federally approved project? It says:

> The centrally air-conditioned towers will have an indoor swimming pool, a gymnasium, an auditorium, a theater, a greenhouse, roof laundry rooms and play areas, and underground parking with attendants 24 hours a day.

Does this have the smell of public housing? Yet this is federally approved, federally financed at a cost of $60 million, with $82 million additional dollars in total rent subsidies and interest subsidies over the life of the mortgage, totally tax free; so the city of New York has to provide the police protection, the fire protection, the sanitation and garbage protection. We do not get one nickle of revenue from this project for the next 40 years.

Should we be finger pointing at Washington and saying, "How could you foist this upon us?"

I do not think HUD or any other agency would now plan another project like this. I think their reach exceeded their grasp 4 or 5 years ago when this project was underway.

I think from hindsight probably they would agree with us this was not fiscally sound, it was not prudent. It is not the kind of public housing we could extend to the cities and towns of America. It was a mistake, but is this the time for us to start vilifying Washington?

Should we vilify this administration for having permitted the cost of medical care to gallop out of sight; for letting one doctor in New York take over $800,000 from the medicare system in 3 years? Is this the time bitterly to criticize this administration for having perpetuated a welfare system that has created a subgroup in our city, that has settled well over 1¼ million of New York's families on welfare? Should we ask—"Why has not the administration done something about this problem, to assist our city in achieving fiscal soundness and sanity?"

Mr. BAUMAN. I do not speak for the administration.

Mr. SCHEUER. I think there are honorable men in this administration. I think the time for finger pointing, the time for blame-laying, the time for ugliness and recrimination is past. Let us join together in trying to find what good we can accomplish in this situation.

I am going to speak later about the remarks of the gentleman from New York (Mr. MITCHELL). He gave us the keynote for this discussion when he said:

> Ask not for whom the bell tolls. It tolls for thee.

It tolls for the city of the gentleman from Maryland (Mr. BAUMAN). It tolls for cities up and down the Atlantic coast. It tolls for the Middle West and for the great urban area of the United States, all of whom are in clear and present danger of joining New York City's lot.

Our great Nation now needs to come to the assistance of New York City and other cities which may need similar assistance. Let us join together constructively, decently, in a fitting sense of national pride and unity to do for the cities of America what they need and do it without rancor, in a felt sense of national pride and unity that will leave us all the richer.

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

Mr. ROSENTHAL. I yield to the gentleman from Maryland.

Mr. BAUMAN. Mr. Speaker, I am sure when the gentleman mentions vilification, hate, and disunity, the gentleman is not referring to any remarks made on the floor this evening during any point in the debate. The gentleman from Maryland raised several hard questions that have to be answered if any of this legislation the gentleman seeks is obtained.

The gentleman has thrice used the phrase, "We have loved not wisely, but too well."

Those who love have to take the necessary precautions. When the gentleman asks us in Baltimore who has a larger percentage of people on welfare than does New York City and wants us to help the people in New York City on welfare, that does not involve any disagreement as to the merits of the question, but only proof. That is all we are asking.

Mr. SCHEUER. Mr. Speaker, what we are asking for New York now we are willing to do for Baltimore whenever that great city needs assistance. And if Baltimore needs help, I will be the first to ask for and support that help.

Mr. BAUMAN. I reply again that Baltimore has a surplus. We are not in such a situation because we have not followed the policies of New York, so I hope that some of these hard answers will be forthcoming along with the rhetoric we have heard here tonight.

Ms. HOLTZMAN. Mr. Speaker, will the gentleman yield?

Mr. ROSENTHAL. I yield to the gentlewoman from New York.

Ms. HOLTZMAN. Mr. Speaker, I want to respond to the gentleman from Maryland who asked the question earlier as to what New York City was doing, and I noticed that he had pained expression on his face when my colleague from New York (Mr. BADILLO) was recounting a list of steps the city of New York was taking in an effort to reconcile itself in its fiscal crisis.

I just wanted to call the attention of the gentleman from Maryland to a few other steps the city has taken which are really very disturbing steps and painful steps to the residents. First, New York City has fired every single school crossing guard so that there are no school crossing guards to help insure that the children going to school will be protected from accidents by cars. Surely, the lives and safety of the children, not only of the children of New York City, but everywhere in the country, is something that concerns all of us. Yet, in an effort to reconcile, to balance its budget and get back to a fiscally responsible situation, the city of New York has now fired all the school safety crossing guards.

Second, school security personnel have been reduced in substantial numbers. As a result of that, in my own district I have complaints from school principals and school administrators that there have been serious incidents of physical violence in schools as a result of the cutback of school security guards. There are, in essence, policemen stationed in the schools. Here again, the city of New York has taken steps which are painful and harmful to its residents, but which are going to be necessary if ultimately the budget is going to be balanced and if the city is going to be fiscally responsible, which I think it is going to do.

In addition, with respect to the schools, there is now talk of closing elementary schools in the city of New York. In my district right now, there are hearings being held on the question of which elementary schools are going to be closed. This again is going to affect the quality of education in the city, the quality of education of the children who attend the elementary public schools of the city of New York. So, I want to assure the gentleman from Maryland that steps are being taken. They are steps that are serious steps and painful to the residents of New York City.

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

Mr. ROSENTHAL. I yield to my colleague from New York.

Mr. MITCHELL of New York. Mr. Speaker, before the gentleman from Maryland leaves, I would just like to point out that in spite of all the economics the gentlewoman from New York (Ms. HOLTZMAN) and the gentleman from New York (Mr. BADILLO) pointed out, that as far as municipal costs are concerned they have not reached the bottom line yet and they will have to convince a large percentage of the Members that they have indeed gotten to the bottom of the barrel when it comes to cutting out the poor programs and wasteful procedures.

I would like to point out that the subject of our special orders tonight was to develop some understanding of the overall problem. It has been very easy for anyone to say, "I am not going to bail out New York City," or to ask a constituent who has not been informed at all of the ramifications of the problem whether or not he would assist in a bail out. No one is asking for that; no one wants money. What is wanted is a guarantee.

We want to point out some things, some bits of information that are not generally known. First of all, as has been mentioned, New York has served as a sort of a magnet or a Mecca fer people from all over the country and the world.

When I was in the State legislature, we tried to solve this problem by passing a residency law that would prevent people from going on welfare immediately upon reaching the city. Twice the State passed it, but the Supreme Court said that it was unconstitutional because it curtailed the travel rights of the poor. So, New York State did try to do something to cut down on some of the high cost of this mass movement to within its borders.

We want to point out also that New York State receives the least amount back from the Federal Government of every dollar it contributes to the Federal Government. New York State has been paying many people's bills for many years, bills in States where the real property values are far lower than they are in New York State. I can remember when our present Vice President was serving as Governor of New York he would stress the fact that New York State received only 5 cents back on the dollar, when many States in the Nation received far more on every dollar they sent to Washington—$1.50, $1.60, as I recall.

It was the worst and continues to be the worst ratio in the United States.

One final observation is that New York State is the biggest taxpayer in the Nation and it receives the least expenditure of the defense dollars within its borders. There has been an exodus of defense installations from New York State.

Mr. SCHEUER. Mr. Speaker, will my colleague yield?

Mr. ROSENTHAL. I will yield to the gentleman from New York.

Mr. SCHEUER. I thank the gentleman for yielding. I want to emphasize the point the gentleman from New York (Mr. MITCHELL) is making. The five States with the largest outmigration of people—including New York and Ohio—last year received Federal payroll dollars equal to only 3 percent of their gross payroll dollars. This covers both military and civilian Federal paychecks. On the other hand, the five States which are the most rapidly growing enjoy a Federal military and civilian payroll of more than 12 percent of their gross payroll dollars.

In other words, the most rapidly expanding States of the country which need the Federal payroll the least are enjoying four times the per capita influx of Federal dollars, both military and civilian, as are the most seriously declining States which are located in the northeast and north central corridors—and the gap is getting wider every year.

Mr. MITCHELL of New York. I would like to make one final statement, and that is that New York State, not just the city, but the State, has been helping many of the other 49 States of the Nation; we have been helping them not only to educate their people, but we have been accepting their poor, building their highways, and we have been contributing more toward defense than any other State in the Nation. We need help, and we are asking for reciprocity now.

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

Mr. ROSENTHAL. I yield to the gentleman from Maryland.

Mr. BAUMAN. I thank the gentleman for yielding. Just in direct response to the statement the gentleman made, I would like to give him here and now a copy of the report I referred to earlier from the Office of Economic Opportunity, Federal outlays for New York City for fiscal year 1974, and it shows direct Federal outlays total $8½ billion in New York City alone.

Mr. Speaker, to say that the rest of the country has not been thinking of New York I think is misleading.

Perhaps the gentleman could peruse that.

Mr. MITCHELL of New York. I will be glad to study the document the gentleman presented, but as compared to what? I am talking about per capita expenditures, and I think we have given far more than our share to other States in the Nation—we are asking for some reciprocity now.

Mr. ROSENTHAL. Mr. Speaker, it seems to me what we are witnessing is an unreal drama. In my judgment, it is a scenario which defies belief. I have the uneasy feeling that I will wake up in the morning and find out this is only a dream. Only in America could the National Government permit its Empire City and its Empire State to be threatened with bankruptcy or default. Only in America could debate of these proportions be held in this Chamber with dignity, with 10 Members of the House of Representatives present, 4 from New York, 1 from Maryland, 1 from Iowa, 2 from California, and 1 from Texas.

Mr. Speaker, a matter of this enormity, a matter of this magnitude, a matter of this concern is being participated in by 10 Members of Congress.

Mr. Speaker, I want to commend my colleagues from Maryland, Iowa, California, and Texas for being thoughtful and considerate, regardless of how they come out on this issue, for being thoughtful and considerate in staying here and showing concern for the matter, showing concern not for the city and State of New York but showing concern for the United States, because the hard, cold, unpalatable, unpleasant fact is that no community in the country will escape unharmed if New York City is forced to default. The cost of borrowing in the communities around the country will soar and the lending capacity of our banks across the Nation will drop by an estimated $15 billion.

The fact is that borrowing costs since the threat of a New York default to this evening, tonight, has increased by $1.85 billion for State and local agencies across the country as a result of the New York City fiscal crisis.

And they will go higher.

Default, which is impending and very real, will mean that the value of New York City and State obligations will drop by at least 50 percent, and the result will be that there will be less money available for consumer and other loans.

The subcommittee that I head has been looking into the relationship of banks with the New York City securities markets, and I want to tell the Members that approximately 450 banks in nearly two-thirds of the States have invested at least 20 percent of their capital in New York City and State bond issues. These banks are not only located in our major financial centers but in many places such as Alabama, Arkansas, Tennessee, Arizona, New Mexico, Colorado, Utah, and Wyoming. Hundreds more banks and thousands of individuals have holdings of New York City securities and will feel the impact of default.

In all, more than $3 billion in New York City and State obligations are held by U.S. banks, and another $17 billion in obligations are held by individuals and nonbank financial institutions.

The traditional rule of thumb is that banks can lend out $15 for every $1 of their capital. There would be a $1 billion drop in U.S. bank assets as a result of the city's default. The loss, which would be inevitable if the default occurs, will reduce the lending capacity of the banking system by about $15 billion.

Maybe that does not bother some of us if we dislike New York enough, but that $15 billion loss means the loss of the State's capacity to borrow for jobs, to start up projects, and to pay their bills, and that $15 billion loss means less ability for consumers to purchase new homes, new cars, and new appliances.

It will have a devastating effect, not just a ripple effect, but it will have an engulfing wave effect upon our economy.

Mr. Speaker, I do not like to be a prophet of doom, but there is no other prognostication if this default occurs. This one default, which would be the largest and the most symbolic in the 200-year history of this Nation, could and in fact will reverse all the momentum that the administration would like to take responsibility for initiating that has been building up around the country toward economic recovery.

A $15 billion reduction in the total assets of the banking industry will result in a one-shot, 5-percent reduction in the money supply, and that is anticipated as of tonight by the Federal Reserve Board.

This $15 billion drop which will come about as a result of the banking industry's losing $1 billion of capital is probably a conservative figure, because it is based on the belief that the market value of securities will remain at about 50 percent. If that is incorrect, the result will be even more serious.

Prof. Otto Eckstein, a former member of the President's Council of Economic Advisers, says that the city's default will cost the Nation $29 billion. I do not know if anyone can appreciate what that sounds like, but where I come from $29 billion is a good deal of money. He says that the default will trigger the loss of 270,000 jobs, that it will raise the Federal budget by $4.8 billion to cover added demands for unemployment compensation, welfare, and food stamps, and that it will slash $14 billion from the gross national product, which is the measure of the Nation's economic health.

Eckstein says that State and local taxes would be increased by $3 billion, and local spending would be reduced by $7 billion if a default occurs. He says that reduction in governmental spending and the increase in taxes will have a multiplier effect upon the economy at large, thus resulting in his $29 billion estimate.

In testimony before a House subcommittee Eckstein estimated that the default, if it occurs, will boost the unem-

ployment rate by three tenths of 1 percent, and that would give us the figure of 270,000 that I have mentioned. He said that the gross national product would be significantly reduced.

The administration has suggested that none of this will happen, that all of these things are not acceptable, but controllable.

However, let me be more specific. Large cities all over the country are confronting soaring interest rates. Philadelphia, an A-rated city, sold bonds at a net interest cost of 8.8 percent on July 21, 1975.

Two days later, Chelsea, Mass., also rated A, sold bonds at a net increase cost of 6.7 percent. That is a 2 percent premium, apparently due only to the difference in city size.

Detroit, on August 18, sold bonds at a net increase cost of 9.9 percent, and one day later, Johnson City, Tenn., sold bonds at 7.3 percent.

All of these are averaging 2 to 2.5 percent more than they had paid during a similar period last year.

The fact is that, without speculating, the effect of the city's financial crisis is easily measurable. One year ago the Bond Buyer Twenty Bond Index, which is an average of the yield of 20 representative long-term bonds, stood at 6.68 percent. Whereas all other interest rates in the money markets are generally lower than they were a year ago, the Municipal Bond Index this week stands at 7.67 percent, almost 1 percent higher. A 1 percentage point increase in local borrowing costs, when applied to the $23 billion cost of new issues that come out annually, ends up costing the local taxpayer in Maryland, in Iowa, in California, in Texas, a $1.84 billion increase in interest charges alone over the 8-year life of the average bond issue.

The fact is that the municipal bond market has thus been seriously affected; and as I suggested, interest yields have gone up about 1.5 to 2.5 percent.

These additional costs will run rampant around the country, and banks around the country, whether one believes in the ability of the reserve system to control events or not, are going to have convulsive shakes because the banks that hold significant amounts of New York securities are all around the country.

Mr. Speaker, I will insert in the RECORD at this point relevant material on this point. It is as follows:

HOLDING BY NONMEMBER STATE BANKS—NEW YORK STATE, NEW YORK STATE AGENCY, AND NEW YORK CITY OBLIGATIONS

[Dollar amounts in thousands]

Current book value as percent of net worth	Banks[1]	NYS	NYS agency	City	Total
Percent:					
20 to 30	97	$11,808	$38,630	$44,127	$94,565
30 to 40	79	29,780	74,160	67,729	171,669
40 to 50	71	6,571	22,478	25,730	54,779
50 to 70	43	4,669	14,215	30,924	49,799
Over 70	45	31,925	63,938	93,798	189,661
Total	305	84,744	213,421	262,308	560,473

[1] The 305 nonmember State Banks reflected in this table are located in 40 States, with 10 or more located in Alabama, Arkansas, Florida, Illinois, Louisiana, Mississippi, Missouri, New York, Tennessee, and Texas.

Source: Federal Deposit Insurance Corporation.

HOLDINGS BY NATIONAL BANKS

TABLE 4.— *Aggregate New York State obligations holdings by 50 largest banks and all other banks holding New York City obligations representing more than 20% of gross capital funds*

Source: Comptroller of Currency.

[In Thousands]

New York State obligations:	
Bonds	$577,558
Notes	185,712
Total	763,270
New York State housing (11 issues):	
Urban rental housing	86,064
Nonprofit housing	73,314
Hospitals and nursing homes	52,322
Medical care facilities finance agency	19,616
All other	359,058
Total	590,374
Total	1,353,644

As additional information, the following table shows the number of national banks in each category when the combined holdings of New York City and State obligations are taken as a percentage of gross capital funds:

TABLE 5. *Ninety-three banks distribution measured by holdings of New York City and State obligations against gross capital funds*

New York City and State obligations/gross capital funds:	*No. of banks*
40 percent to 50 percent	21
50 percent to 100 percent	50
100 percent to 150 percent	17
150 percent to 200 percent	3
Over 200 percent	2
Total	93

The geographical distribution of holdings by national banks of both city and state obligations is shown in the following table:

TABLE 6.— *Banks holding New York City and State obligations in excess of 40% of gross capital funds: geographical distribution*

Region:	*Number of banks*
1	3
2 (all in N.Y. State)	23
3	3
4	1
5	8
6 (all in Florida)	26
7	7
8	6
9	4
10	6
11	2
12	1
13	1
14	2
	93

Region 1.—Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont.

Region 2.—New Jersey, New York.

Region 3.—Delaware, Pennsylvania.

Region 4.—Indiana, Kentucky, Ohio.

Region 5.—District of Columbia, Maryland, North Carolina, Virginia, West Virginia.

Region 6.—Florida, Georgia, South Carolina.

Region 7.—Illinois, Michigan.

Region 8.—Alabama, Arkansas, Louisiana, Mississippi, Tennessee.

Region 9.—Minnesota, North Dakota, South Dakota, Wisconsin.

Region 10.—Iowa, Kansas, Missouri, Nebraska.

Region 11.—Oklahoma, Texas.

Region 12.—Arizona, Colorado, New Mexico, Utah, Wyoming.

Region 13.—Alaska, Idaho, Montana, Oregon, Washington.

Region 14.—California, Hawaii, Nevada.

Let me talk specifically to two or three issues. I hold in my hand an analysis of six of the largest banks in the country. It just so happens that they are located or their headquarters are located in New York City. I am, in fact, reluctant to talk disparagingly of them or their management, but these are the facts: The Chemical Bank of New York City has $225 million in New York City bonds, $110 million in Big MAC bonds. It has $718 million in real estate investment trust bonds which will surely be threatened if the city and State go into default.

If we follow through on that assumption, we then become deeply concerned by the fact that their total holdings in these three categories are $1,053 million. That figure is 141 percent of shareholder equity in that bank, which means that if any of these speculative situations occur and the city defaults or the State defaults, the real estate investment trust, of which Chase Manhattan yesterday wrote off over $160 million, is threatened, and then the Chemical Bank in New York City faces a precarious future.

The same thing, to a lesser extent, is true of the Bankers Trust Co. That has $718 million in this class of securities and has 103 percent of shareholders' equity in this amount.

The First National City Bank of New York has $2.390 billion in this class of securities which represents 45 percent of shareholder equity.

The Chase Manhattan Bank has $1.125 billion in this class of security. This represents 62 percent of shareholder equity.

The Morgan Guaranty has $618 million in this class of security, which represents 48 percent of shareholder equity.

What happens to the other United States of America when these banks start to shudder and shake and clamor for Federal assistance? How much of the $90 billion that Arthur Burns and the Reserve System has is going to be able to flow quickly as he did with the Franklin National Bank, a small bank by comparison, to the tune of $1.7 billion?

How much can the reserve system handle gracefully? How much of these defaults can it digest? Five billion? Ten billion? Twenty billion?

Simply because one does not like New York or simply because one does not like the class or the style of the people that inhabit the city, or simply because one finds it somewhat exceptional that 1 million of the city's 8 million residents are on welfare, how much does one want to gamble with the economic security and the strength of this country? Because the hard fact of the matter is that New York City is not asking for 1 dollar of grant assistance from the Federal Government. We are asking for the development of a mechanism that permits New York City to go back into the capital markets and revise the psychological loss of confidence that is necessary to sell bonds.

Mr. Speaker, I ask unanimous consent that the chart I have referred to be included in RECORD at this point.

The Speaker pro tempore (Mr. MILLER of California). Is there objection to the request of the gentleman from New York?

There was no objection.

(The material referred to follows:)

LISTED ARE THE HOLDINGS OF NEW YORK AND REIT PAPER OF THE 6 LARGEST MAJOR NEW YORK BANKS AS OF EARLY SEPTEMBER

[Data are in millions of dollars]

	NYC bonds	MAC bonds	REIT paper	Total	Shareholder equity	Percent of shareholder equity
First National City Bank	175	171	750	1,096	2,390	45
Chase Manhattan	250	150	725	1,125	1,812	62
Manufacturers Hanover	175	107	375	657	1,077	61
Morgan Guaranty	150	68	400	618	1,269	48
Chemical Bank	225	110	718	1,053	746	141
Bankers Trust	75	71	600	746	718	103

Mr. ROSENTHAL. Mr. Speaker, there are a number of myths that should be dealt with.

The first is that New York City receives its share of Federal aid. The fact is that inequitable Federal and State reimbursement formulas most directly affect for example, welfare costs in the city.

It is my view that welfare is, and has been for 25 years, a national problem.

The Federal Government's reimbursement for New York State is only 50 percent of the whole New York welfare costs. Pennsylvania, Ohio, Texas, Florida, and Wisconsin are among 38 States receiving higher reimbursement with some going up to 75 percent.

In turn, New York State requires the city to pay 25 percent of its welfare costs and 50 percent of the program for single adults, childless couples, and the working poor for whom the Federal Government has no responsibility. No other State comes close to such a requirement. A majority of the States share the full non-Federal share. Most cities have no responsibility either to administer or pay for welfare.

Chicago has almost the same percentage of people on welfare as New York City but spends practically nothing for it. That does make it much easier for Mayor Daley to balance that city's budget. The litany of disproportionate assistance can go on and on and on because the Federal grants can cover only half of New York City's welfare costs compared to three-fourths of Mississippi's. One oft cited reason for the alleged imbalance refers to the rural orientation of Federal aid formulas which were in fact conceived and aimed at the depression and the years thereafter. Another is the changing rules of the cities which serve merely as catchbasins for the Nation's poor, and as a port of entry. As Francis X. Klein reported in last Sunday's New York Times. He additionally stated that many of the Federal aid formulas date back to the Roosevelt era and the per capita income was the chosen standard, and most of the poor were in rural States.

Thus, these formulas were written to favor these States and their low average income. But now, because of farm mechanization, the majority of the poor have shifted to the cities. As he continued, Mr. Klein stated:

Like New York, these cities are often in heavily taxed States where the income spectrum goes from the very rich to the very poor. This keeps the per capita income up in such States as New York and California, and under these dated formulas the urban poor get relatively less Federal aid simply because of their enticing proximity to the rich.

As an example, infant mortality rates are now higher in the urban center areas than in the rural areas. Yet a 48-year-old per capita income formula would allow New York only 5 percent or less of Federal funds for crippled children and maternal and health care.

Other comments on the Federal aid formula are as follows:

Unlike aid based on population-rooted formuals, these "project grants" were apportioned for specific needs.

But in the Nixon years, the budget emphasis was to eliminate project grants, according to state officials. The depressing effects of the return to old-style formula grants is just now being felt by the urban poor.

Another complaint is that the formulas are altered by Congress precisely when New York's poverty growth is about to be demonstrated in new data.

On the basis of the 1970 Census, for example, New York in 1972, should have received more than a 25 per cent increase, $50-million, in special educational aid for the impoverished. But 20 other states, having lost poor population since 1960, would have lost some of this aid. Congress protected those states by decreeing a "hold-harmless" guarantee. This meant that no state would get less than it did the previous year, what's worse for New York, no state would get more than a 20 per cent increase. While costing Albany $50-million, the change saved Arkansas a 50 per cent aid reduction, or $12-million.

The effects of maturation politics are felt, too, in such areas as the Federal mass-transit-aid formula. Under this formula, state officials complain, New York, which has 40 per cent of the nation's transit riders and 29 per cent of public-transit vehicle miles, receives only 14 per cent of the aid. Phoenix does better per capita than New York City, they say.

Suburban commuters pay little and diplomats pay nothing for the expensive city services they often make use of. These include the police guards outside embassies and the United Nations. Various formulas, particularly the postwar highway-construction program and the Federal tax breaks for home mortgage loans have accelerated the loss of the city's middle class to the suburbs and of its private manufacturing jobs to other states.

It has been suggested that New York raise its taxes. However, the tax burden is already especially heavy in New York, and a further upswing would be counterproductive in the loss of corporations and citizens. In fiscal year 1973 the State of New York led the nation in per capita State and local taxes at $894. The next biggest State was California at $739, Connecticut at $727, Massachusetts at $714, and Nevada at $688.

There have been many myths, Mr. Speaker, about the salaries of New York civil servants. These myths are incorrect. I include at this point in the RECORD a chart showing the relative salaries of our 10 major cities in the United States:

LABOR

AVERAGE EMPLOYEES SALARIES IN NEW YORK CITY AS COMPARED TO OTHER LARGE CENTRAL CITIES—FOR 1974

City	Public employee average salaries 1974			
	Teacher (a)	Police (b)	Fire (c)	Sanitation (d)
New York City	$17,440	$14,666	$16,964	$15,924
Boston	16,726	14,352	13,844	10,666
Chicago	[1] 20,891	14,146	15,525	11,956
Newark	16,464	13,282	13,282	8,473
Los Angeles	15,670	[1] 15,833	[1] 21,180	13,168
Philadelphia	15,354	14,354	13,869	13,337
San Francisco	15,743	[1] 15,529	[1] 17,765	13,023
New Orleans	10,458	10,746	10,645	4,170
St. Louis	[1] 17,545	11,748	13,185	9,593
Denver	13,505	12,907	14,198	10,258
Baltimore	12,727	10,098	10,980	8,126
Detroit	[1] 22,603	[1] 15,636	16,107	13,814

[1] Cities higher than New York City.

Source: Congressional Budget Office.

ANALYSIS

In three categories—teachers, police, and firemen—New York City does not pay the highest salaries. If the cost of living differential were included, New York City would exceed even fewer cities in salaries paid.

Quote from Congressional Budget Office: "Considering that New York's cost of living—as measured by the Bureau of Labor Statistics intermediate family budget—is higher than all but that of Boston, its wages are not particularly out of line."

Mr. RYAN. Mr. Speaker, will the gentleman yield? I have a few questions here in relation to that specific area that the gentleman mentioned, and it goes to the crux of the objection I have—and many others have, too—if the gentleman would be willing to yield at this time.

Mr. ROSENTHAL. I have some more relevant thoughts that I want to make, but because I know that the gentleman from California (Mr. RYAN) has been here since the beginning of this debate and has shown his enormous interest, I would be happy to yield before the other presentations I might have.

Mr. RYAN. I thank the gentleman.

Mr. Speaker, I think that this question, as the distinguished gentleman from New York (Mr. ROSENTHAL), has pointed out, is probably one of the most important questions to come before this body perhaps in a generation. That is why I am here. But I would suggest that there is no parochialism involved in the discussion about New York's plight. I think I am part of the 27 percent of this body that was referred to by the other gentleman from New York (Mr. PEYSER), who would like to see some kind of resolution of the problem, but not on the question of simply yes or no, do we help New York or not?

My specific reason for being here is because I am from San Francisco. San Francisco is as much involved in the resolution of this problem as any other major city in the country, as I hope I can point out in a few minutes as I go along here. This is not an isolated case. It is not unrelated to the manner in which cities are governed in this country. In general, the major arguments regarding New York City's problem and the reasons for its support I think go something like this.

New York City is a national city; it is not simply another city in this country. It is the headquarters of the U.N. It is the cultural center of the country in many ways. It is certainly the financial center of the country, and so on.

It is also true that the arguments used say that New York City has welfare problems, as my distinguished colleague (Mr. ROSENTHAL) has just said. It has educational problems that simply will not quit that have not even been mentioned yet. Certainly it is true, as is true of many cities, that the middle class have left town leaving the city with much less of a tax base than it had before.

It is also true that any kind of default on the part of New York City will cause a national disaster financially in the loss of jobs and banking capacity. It will decrease banking capacity. But my question here is, I think, what will New York do to help stave off disaster itself? The problem will have to be resolved ultimately, so it is not just a question of whether or not it will happen, but the conditions under which it does happen.

In order for that to be resolved, I think, perhaps, we should look at two basic root causes of the problem that exists.

First of all, there has been an erosion of the middle class in New York to the suburbs, leaving New York over the years with a smaller and smaller tax base and an increasingly higher cost for maintaining the city and services that it has to furnish. But it is the second reason that is more important and which sets the precedent or can set a precedent for the future of most of the major cities in the country.

It seems to me local government in New York has not learned how to say "No" especially as far as employees are concerned in asking for more and more and more from the city, especially as the city grows smaller and smaller and smaller in its tax base.

To me it seems candidates for office too often in New York have not had the ability to say "No" and have had to bid higher in order to gain the support of an ever higher and higher number of city employees who have become a significant city force as they have become larger in number.

How do we say "No" to New York or any city whether we like it or not? I think perhaps the answer to that comes in some reading I did in the last few days, and I use the same document referred to earlier by the gentleman from New York (Mr. KOCH) when he referred to the publication of the Congressional Budget Office called "New York City's Fiscal Problem: Its Origin, Potential, and Solution." In here I find some very interesting reading, which brings the rest of the country into this and the implications of the solution into this.

Before many of us make up our minds about New York City's problem we should be interested in doing a little digging about the question itself. Those of us who are outside New York and must respond to New York's appeals find this has to do with the question of, first, whether or not it needs to be assisted and second, whether such assistance becomes a precedent which can be used for other cities.

One of the tables in this document which drew my attention was entitled "Central City Disadvantage Index" in which there is listed about a dozen cities in random order, it seems to me. Going from the bottom to the top the index of being poor or poverty stricken is using Los Angeles and San Francisco, who are both placed at 105—and I suppose this is a degree of relative value, and then we find in ascending order San Francisco and Los Angeles at 105; New York at 211; St. Louis at 231; Chicago at 245; Baltimore at 256; and Newark, right next door double the poverty index, twice as poor I suppose, at 422.

I came across another table which also gave me some pause, I think, which is entitled "Percentage of Population Receiving Welfare Payments." Perhaps this is a response to the charge that New York has become a world haven for the poor. We have here Boston shown as high, with 16.9 percent of the population on welfare payments; Baltimore next at 16.3; Philadelphia at 16.2; St. Louis at 15.8; Newark, the poorest of all, 14.4; New York City with 12.4 percent; and down toward the bottom we have San Francisco at 9.1 and Los Angeles at 8.

Please be patient with me because I think I include San Francisco and Los Angeles for a reason that will become apparent in 1 minute.

Now we come to another table which says "Per Capita Expenditures." This measures I suppose the capacity of the city's governing board to say "No" to employees' unions. On this one New York City is at the top with $1,284 in per capita expenditures for the entire city of New York, and the next highest of all the cities listed is San Francisco with $1,073. We are not a poverty stricken city.

Mr. ROSENTHAL. At that point I am not so sure, and I would like to take a look at the chart the gentleman is using to support his presentation, because the Congressional Budget Office in their estimates of per capita expenditures computed the component of what the county and other governments did. In other words on page 16 of the Congressional Budget Office that is shown.

Mr. RYAN. I have that.

Mr. ROSENTHAL. That is shown in terms of the per capita expenditures of the commonly accepted municipal functions, and Boston was $441, Newark $449, San Francisco was $448, Baltimore was $447, and, lo and behold, New York comes in in fifth place at $434.

Mr. RYAN. I can accept either figure and I grant we can carry figures too far, the Committee on Expenditures especially.

Mr. ROSENTHAL. These are not my figures. These are the Office of the Congressional Budget, which is the highest authority I have.

Mr. RYAN. That is the best indication I have.

Mr. ROSENTHAL. Where did the gentleman get those figures?

Mr. RYAN. Out of the same place.

Mr. ROSENTHAL. The conclusions are on page 16. The figures the gentleman has drawn do not take in the component of municipal functions the way the Budget Office has done.

Mr. RYAN. There are different ways of calculating; but I think in the sense of relative position I would point out that using the same figures on the same table in a relative sense, Newark is 827; Los Angeles, 759; Boston 756, and so on. No matter which way we slice this, it is obvious to me that New York and San Francisco are far ahead of almost anyone else.

Let me take a couple more tables and put it all together and draw a conclusion.

Mr. ROSENTHAL. Let me go on to my colleague from New York (Mr. BADILLO). I yield to the gentleman from New York (Mr. BADILLO).

Mr. BADILLO. Mr. Speaker, it is important to look not only at the tables, but on page 15 of the same report it says the following:

> Comparisons of the expenditure and employment patterns of New York City with those of other large municipal governments indicate that New York is far out of line with other jurisdictions.

That is what the gentleman said:

> Yet this is a misleading conclusion which stems from the fact that New York City provides services that in other areas may be supplied by a county government, a school district, or another specialized government. If one compares the New York employment and spending patterns with those of all of the local governments providing services to the residents of other large cities, New York appears to be less extraordinary.

Mr. ROSENTHAL. Mr. Speaker, I think it is also relevant to read into the RECORD at the bottom of that same page 15:

> While New York also spends a great deal more than other cities on higher education, hospitals, and mass transportation, its expenditure on the services commonly provided by municipalities is not out of line with those of other large cities. With respect to the sal-

aries paid public employees, New York is generous but not the most generous of large cities. Considering that New York's cost of living—as measured by the Bureau of Labor Statistics intermediate family budget—is higher than all but that of Boston, its wages are not particularly out of line (see table 7, column 6.)

Mr. RYAN. Mr. Speaker, I am not trying to prove that New York is more profligate in any particular sense than any other city. I am saying that New York's problem is financially so similar that we raised this question.

I would like to finish this particular section. Let me give one more example. New York's government employment is subject to the same interpretation, perhaps, that we have just had; but the figures I come up with show that New York is top again with the local government employment per 10,000 population.

Mr. ROSENTHAL. That is also incorrect. The gentleman is not taking the chart across page 16. In terms of number of municipal functions, local government employment per 10,000, Newark is ahead of New York City, Philadelphia is ahead of New York and Baltimore is ahead of New York City.

Mr. RYAN. Mr. Speaker, let me finish, if I may.

Local government employment per 10,000 population, New York is 528.2; San Francisco, 488.3; Boston, 465; Baltimore, 434.1; St. Louis, 424.6; Newark, the poorest city, was 421.5; and Philadelphia, 414.5.

All I am trying to show here, there is a pattern of New York obviously, I think, with more problems per capita than San Francisco has at the present time. I am showing among other things that San Francisco has even less ability to say no for the base that it has than perhaps any other city of the country.

Mr. ROSENTHAL. As I recall events in the past couple of months—and I hate to get into an argument with the gentleman—the mayor of San Francisco did not say no without the city council raising the dickens.

Mr. RYAN. I thank my colleagues most warmly. Let me finish with the per capita analysis. I think this is more analagous. New York has a debt per capita of $1,676; Boston is second with $1,385; San Francisco is third with $1,225. Compare that, for example, with Chicago at $733.

I point out to the Members here that part of the reason for my concern, part of the reason I am here this late at night with my colleagues from New York City, is because in the last 20 years the population of San Francisco has decreased from 750,000 to 700,000 population. At the same time the increase in the number of city employees in that same period of time has gone up by more than 400 percent.

Mr. ROSENTHAL. Mr. Speaker, at this point I ask unanimous consent that the tables on pages 16 and 17 of the congressional budget report be included in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

The tables follow:

TABLE 7.—NEW YORK CITY COMPARED TO OTHER LARGE CENTRAL CITIES

	(1)	(2)	(3)			(4)			(5)				(6)	(7)	
			Per capita expenditures 1972–73			Local government employment per 10,000 population 1974									
			All local governments [1] serving Central County			All local governments [1] serving Central County			Public employee average salaries, 1974				Cost of BLS's intermediate family budget (index 1974)	Debt outstanding per capita 1972–73 [1]	
City	Index of Central City disadvantage	Fraction of population receiving welfare payments [1]	(a) City government	(b) Total	(c) Common municipal functions [2]	(a) City government	(b) Total	(c) Common municipal functions [2]	(a) Teacher	(b) Police	(c) Fire	(d) Sanitation		(a) Total	(b) Short-term
New York City [3]	211	12.4	$1,335	$1,286	$435	517.1	528.2	242.9	$17,440	$14,666	$16,964	$15,924	116	$1,676	$352
Boston	198	16.9	858	756	441	378.0	465.0	219.2	16,726	14,352	13,844	10,666	117	1,385	334
Chicago	245	11.1	267	600	383	140.0	352.5	208.4	20,891	14,146	15,525	11,956	103	733	169
Newark	422	14.4	692	827	449	391.1	421.5	258.2	16,464	13,282	13,282	8,473	116	616	112
Los Angeles	105	8.0	242	759	408	162.2	401.1	206.2	15,670	15,833	21,180	13,168	98	650	14
Philadelphia [3]	205	16.2	415	653	395	163.8	414.5	255.2	15,354	14,354	13,869	13,337	103	1,015	101
San Francisco [3]	105	9.1	751	1,073	488	312.5	488.3	224.6	15,743	15,529	17,765	13,023	106	1,225	151
New Orleans [3]	168	11.4	241	431	260	177.3	357.7	217.5	10,458	10,746	10,645	4,170	NA	770	39
St. Louis [3]	231	15.8	310	610	360	241.9	424.6	214.2	17,545	11,748	13,185	9,593	97	731	49
Denver [3]	143	7.2	473	721	375	237.0	410.5	219.3	13,505	12,907	14,198	10,258	95	786	52
Baltimore [3]	256	16.3	806	814	470	434.1	434.1	260.1	12,727	10,098	10,980	8,126	100	609	45
Detroit	210	11.1	357	650	396	194.8	354.3	202.4	22,603	15,636	16,107	13,814	100	658	63

[1] Central county.
[2] Common municipal functions include elementary and secondary education, highways, police, fire, sanitation, parks, general control, and financial administration.
[3] Boundaries of the city are coterminous with those of the Central county.

Sources: (1) Richard Nathan "The Record of the New Federalism: What It Means for the Nation's Cities." Brookings Institution, 1974. (2) Department of Health, Education, and Welfare, recipients of public assistance money payments and amounts of such payments by program, State, and county. February 1957 DHEW Pub. No. (SRS) 76-03105 NCSS report A-8 (February 1975). Includes AFDC and general assistance recipients. (3a) U.S. Bureau of the Census, "City Government Finances in 1972–73," GF73, No. 4. (3b, c, 7) U.S. Bureau of the Census, "Local Government Finances in Selected Metropolitan Areas and Large Counties, 1972–73" GF73, No. 6. (4 and 5) U.S. Bureau of the Census, "Local Government Employment in Selected Metropolitan Areas and Large Counties 1974," GE74, No. 3. (6) Bureau of Labor Statistics, "Autumn 1974 Urban Family Budgets and Comparative Indexes for Selected Urban Areas." (Apr. 9, 1975.)

Mr. RYAN. Mr. Speaker, I thank the gentleman for that assistance.

Mr. ROSENTHAL. Mr. Speaker, I only have about 12 minutes left. I wonder if my distinguished colleague could make the point he is trying to make.

Mr. RYAN. I am to that point right now. New York at the present time apparently has about $10 billion, I am told, in unfunded retirement. It has about $6 billion in short-term notes and about $8 billion in long-term notes, and uncounted numbers of billions of dollars in terms of fixing up the city to what it ought to be—and it should be fixed up.

The problem I am trying to get to is this: It seems to me that the manner in which the city of New York and its elected officials have been unable to say no to city employees who grow larger and larger in number—and I will paraphrase the report where it says that New York has been uncommonly generous, especially in its retirement systems. They go on and on. I see no way that those things can be changed overnight, and I also see that if we are that way, if we are that generous to New York without any strings attached or without enough strings attached, the next city in line will be San Francisco. I will be here pleading with the Members from New York City to assist me in bailing out the city of San Francisco because its elected officials could not say no at the proper time.

Mr. ROSENTHAL. Let me say this at this point in response, concerning what the city has done since the first of this year, it has reduced its total payroll by 31,000 people. That is human beings, fathers and mothers of families. In my district in north central Queens, 11 libraries are closing. The police station in Fresh Meadows is closing much to the horror of 500 people who protested outside of it. The geriatric section at Elmhurst Hospital is closing.

The city, in reality, is in dire straits. The fact is that this emergency board established by the State has clamped a lid on spending. If, for whatever reasons existing, the city officials succumbed to the pleadings of special interest labor organizations in the past, that cannot happen anymore. There is no sense in crying over milk that has been split and has gone sour. The situation as of today is that within 3 years the city will have a balanced budget by a reduction of about $700 million. All we need is not one nickel of Federal assistance, but a cooperative spirit to let us take short term debts of 6 months and run them into long term obligations of 6 years. During that period of balanced

budget, if there is any kind of upturn in this recession and if the Federal Government continues at its same level, the city will be in fine shape to accomplish its real purpose.

When I say "fine shape," I mean not in human terms, because in my judgment the kind of cuts that have been made by the emergency control board go beyond reasonableness, but they have been made. So there is no use in crying about what happened in the past, other than to look at where we are today.

Mr. RYAN. If the gentleman will yield at this point, I think this is a yes or no answer, so far as I am concerned, so far as many others on this floor are concerned. If there are still sanitation workers who have unlimited sick leave, if there are still patrolmen who get their birthdays off, if there are still policemen who retire after 20 years on $14,000 a year, and so on, while at the same time the city of Baltimore, with the same kind of debt problems, pays it policemen $11,000 a year, even the city of San Francisco, at $16,000, goes on strike, we settle the strike by giving a 25-percent increase in the next 3 years, I think the answer must be somewhere along the line that the cities themselves all over this country and the governing boards who have been elected therefor have to begin to realize that they cannot begin to think that if they go broke they can turn to Uncle Sam in Washington to help out.

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

Mr. ROSENTHAL. I will yield to the gentleman from New York.

Mr. BADILLO. Mr. Speaker, I wish to say to the gentleman from California (Mr. RYAN) that the reason we have the unfunded pensions which the gentleman speaks of—and he used the figure of $10 billion—is not because the public officials would not say no; it is because they did not put the money in the pension fund.

Mr. Speaker, what happened was that the actuarial tables that were used were developed in the years 1908 and 1917, and today everybody's life expectancy is much longer. The reason the pension funds are unfunded is because the moneys required for full funding were not put into the pension funds.

Mr. Speaker, I mentioned earlier that one of the things that was mandated upon the city by the emergency financial control board and by State legislation is that now they use the standard municipal accounting procedures, which means that the city must put into the pension funds that amount of money which is required in order to see to it that the pension funds, are fully funded.

This requirement of full funding has been agreed upon by the emergency financial control board and by the city beginning this year and therefore the concern of the gentleman from California will not exist in the future.

Mr. RYAN. If the gentleman will yield further, I would like to say, in conclusion, that I have great sympathy for the problems, and I do not mean to imply that I hate New York City. I do not hate New York City. But I am extremely worried, extremely concerned, that this be a single problem in the history of this country which was resolved where the Congress did help the city of New York to get out of the problem it has, but that New York not become the first in a long line of municipal officials coming to Congress to bail them out because they cannot say "No" at home to the employees of the city and simply say, "Go in debt, and the Federal Government will bail you out."

Mr. COLLINS of Texas. Mr. Speaker, will the gentleman yield?

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

Mr. COLLINS of Texas. Mr. Speaker, I have been listening and I have been admiring the local pride and the spirit on behalf of New York.

The gentleman just said something that really disturbs me. The gentleman was talking about how, in the next six years, we are going to have this thing all worked out. What disturbs me is this: I think New York is in bad shape today, but I think 6 years from now they will be in worse shape. I base that statement on this: They have two wrong-way planes, and they are both going the wrong way. Business is leaving New York City. How can the gentleman feel that New York is going to be better off six years from now?

Mr. ROSENTHAL. It cannot be very much worse off. I think what really is happening—the gentleman has hit on a very important point—is that New York City was much more sensitive to the recession than other communities, mostly because it had service-oriented industries and had the kind of people at the bottom of the economic level who were most susceptible to the downturn.

Second, we had programs in the 1960's where the Federal Government initiated the handing out of money to local communities and virtually forced local communities to set up many, many programs.

New York City had the people who were applicants for those programs, and they began working quite well. All of a sudden the recession hit, and during Mr. Nixon's presidency we had the impoundment of funds for these social programs. The people were still standing in line in these centers, and there was no more money so the city was in fact left holding the bag. That is exactly what happened.

Mr. Speaker, what I would like to add is this: that the city, with its own financial constraint and with the help of the State, can get a balanced budget in 2 to 3 years. Considering the balancing of that budget, if they can stretch out the obligation from the acute 6-month stage to the 6-year stage, they can make it.

But the gentleman is raising another important inquiry. I happen to think that the Federal Government must at some point in time assume a greater sense of responsibility for the welfare costs. We cannot afford the $1 billion a year that we now spend, and at some point we must get an equalization around the country. If we can do that, the city of New York can at that time come out of these financial problems.

Mr. COLLINS of Texas. Mr. Speaker, will the gentleman yield further?

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

Mr. COLLINS of Texas. Mr. Speaker, I wish the gentleman would answer the other part of my question, if he would. He really only took one part of the question.

In order to really beat this situation, the city needs a good tax base and it needs strong tax support. Any businessman in his right mind, I think, will be required to leave New York City. I cannot see anything but a downhill road and an exodus from New York City on the part of business.

Mr. ROSENTHAL. Mr. Speaker, it is true that some of the major industries have left.

Mr. COLLINS of Texas. And much of the business base has gone.

Mr. ROSENTHAL. Mr. Speaker, some businesses have left, and I do not know how many jobs we have lost, but it is a significant number. Perhaps another Member could answer that question.

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

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

Mr. SCHEUER. Mr. Speaker, we have lost 488,000 manufacturing jobs since 1969, but we have made up for it in other areas.

The gentleman from Texas is quite right when he says that we are never going to regain New York City's preeminence as a manufacturing center. But we can hold onto New York City's preeminence as an international financial center, as a great international "think tank" for communications, publishing, public relations, and advertising, research and development, and for merchandising.

New York City is the financial, investment, communications, and merchandising capital of the world. It is truly the communications capital of the world; it is preeminent in radio, television, press, and publishing.

It is in these areas and in white-collar managerial and creative jobs that we are going to continue to prosper, we hope, rather than through a foredoomed effort to regain the city's lost blue-collar manufacturing jobs.

Mr. ROSENTHAL. Mr. Speaker, the loss of blue-collar jobs has been related to problems that are really beyond our control. There were other problems that came about, including union problems, and the manufacturing enterprises moved out to Pennsylvania and the Carolinas and places like that.

The gentleman from Texas has raised a valid question. I think the gentleman from New York (Mr. SCHEUER) has stated it well in his answer, that New York is in reality the communications, the publishing, the advertising, and the financial capital, not just of this country but of the world. That is why we must find a legislative vehicle in order to avoid having this catastrophe happen to this country.

Mr. Speaker, we are not asking in a parochial sense for help for New York; we are asking, with a national purpose,

for help for the United States of America.

Ms. HOLTZMAN. Mr. Speaker, will the gentleman yield?

Mr. ROSENTHAL. I yield to the gentlewoman from New York.

Ms. HOLTZMAN. Mr. Speaker, I think the gentleman from Texas (Mr. COLLINS) has raised a very important point, and I would like to respond to it as follows:

It seems to me that the Federal Government itself has played a role in the movement of jobs out of New York City. For example, the industrial revenue bonds, which are attractive because they are tax exempt, were largely instrumental in the movement of the textile industry and other industries from not only New York City but from the Northeast region to the South and to other areas of the country.

In addition, the tremendous Federal expenditures, for example, in both the aerospace industry and the military establishment have for the most part financed the growth of industries and jobs in other sections and in other regions of the United States, not in the New York City area.

So as a result of Federal spending policies and as a result of certain Federal tax policies, New York City has been a net loser of jobs.

FINANCIAL PROBLEMS OF NEW YORK CITY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. AMBRO) is recognized for 60 minutes.

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

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

Mr. ROSENTHAL. Mr. Speaker, I wish to acknowledge at this time the presence of my distinguished colleague, the gentleman from Massachusetts (Mr. BURKE). The gentleman from Massachusetts is a senior member of the Committee on Ways and Means, and he certainly understands our problems and has a deep commitment to the northeastern part of the United States and to our important cities.

We appreciate his taking time out from what we know and perceive to be a very busy schedule to participate in and to listen and to be here with us on this very, very signficant, auspicious occasion.

Mr. BURKE of Massachusetts. Mr. Speaker, will the gentleman yield?

Mr. AMBRO. Yes, I yield to the gentleman from Massachusetts.

Mr. BURKE of Massachusetts. Mr. Speaker, I just want to say that I have been sitting here listening to the statements. I am not surprised about the position in which the city of New York finds itself. This position is going to spread throughout the entire country.

We have a trade policy in this country that is driving the labor-intensive industries out of our industrial areas.

I predicted this over 5 years ago when I saw the shoe factories, the garment industry, bicycle firms, hat firms, and handbag firms and other firms closing up in the Northeast area of the country.

New York City has suffered a loss of over 450,000 jobs in these labor-intensive industries. This is happening in all the communities throughout the country. This is not only a problem in New York City. This is going nationwide, and until somebody in this country faces up to the real problem, it is going to continue.

Right now we have negotiators in Geneva who are about to reduce the tariffs by 50 percent on all items, over 5 percent ad valorem, and they are going to wipe out the 5 percent ad valorem tax on about 6,000 other items, which means that America is going to be glutted with these goods.

Once that is done, we drive out all these jobs.

Mr. Speaker, I say that it is about time that the U.S. Congress and this administration should take a look at the trade policies of this country that are creating the unemployment in this country and creating the high unemployment.

This year unemployment compensation is going to cost $18 billion. They are going to spend over $6 billion on food stamps. They are going to spend about $6 or $7 billion on public service jobs.

Nobody seems to want to help create jobs in this country.

That is the problem that we are facing in New York City, a sympathetic city emulating what the great Statue of Liberty has said: "Give me your poor and your huddled masses."

The poor and the huddled masses flock to New York City, and that is where they stay because it was the only place where they could get a sympathetic ear, and New York City is now in the dilemma in which it finds itself.

I think we have to be sympathetic to New York City, not because they mismanaged things, but because they might have been overgenerous. On top of that, the national policies of this country have created the condition that exists in New York City, and it has also been created by those who follow the free-trade policies.

Mr. AMBRO. Mr. Speaker, I thank the gentleman from Massachusetts (Mr. BURKE) for those words.

I would like to say for the RECORD that it is 7:37 p.m. There are about 30 citizens in the gallery and about 10 Members of Congress in the Chamber.

I have an hour or thereabouts, and I suppose it would be less than understandable to any one who read this RECORD as to why I am going to stand here and speak and write the things that I have.

But I feel this thing. Even if these words must reverberate around an empty hall, I think making the RECORD is important.

No part of my district lies in the city of New York. Indeed the closest constituent I have lies geographically no closer than 35 miles from the city's borders. But whether 35 miles, 350 miles, or 3,500 miles from New York City, every constituent in every district in the United States will in some way be touched by the ripple effects of a default if New York City is not helped.

Those of your colleagues and mine who have spoken and will speak. deal with a variety of the aspects of this situation. The reason primarily why we are here tonight is to try in some way to counter the simplistic utterances emanating from the White House of the unsound and unthinking remarks of a President who panders to the basic instincts of the Nation and who plays on the undeserved hostilities toward New York City for political reasons.

Now I am not as kind as the other speakers but indeed in talking to my fellow colleagues, those who came new to this Congress, those who are sympathetic to the plight of New York, when one hears that 82 percent of the people in this country are opposed to aid and those people reach out with the imprimatur of hostility by the White House on the myths that they articulate and hold them dear and true, it is most difficult for new or even long term Congressmen to break through because the level of the dialog has not been elevated.

Some of us more than others attempt to investigate the many complicated sides of this problem and some of us more than others have listened to the testimony from the mayor of the city of New York, the Governor of the State of New York, and the eloquent statement of the mayor of the city of New Orleans and the views in opposition by the President's men, his Secretary of Treasury and others, and the pontificating of the chairman of the Federal Reserve Board.

The voices of the media interpreting even the slightest concession on the part of the powerful that New York City should in some way be helped, has enormous impact on the direction of the help. But consider some of those statements and conditions, if you will:

The Vice President of the United States who served for over 15 years as the Governor of the State of New York and during whose tenure the cumulative ills of New York City were piled one on top of the other, said recently:

> New York has a Democratic Governor, New York has a Democratic Mayor, so let the Democratic Congress do something about New York.

That is hardly movement, that is hardly support. This kind of political partisan pronouncement does nothing to elevate the dialog and in fact keeps it at the lowest level set by the White House.

Arthur Burns establishes conditions for help and he blandly explains that New York State should compute 50 percent of the New York City debt and next year tax all of the residents of New York State to pay off that portion of the deficit. This is hardly a sound, well-reasoned, rational economic theory expounded by the Nation's economic czar. It is more like the partisan efforts to set conditions which are totally intolerable and unrealistic.

Yet we have the President's statement, they are not to set the moral tone in the Nation nor to stimulate elevated discussion but are geared to the emotions of the people who can use the President's own words to bolster the myths they have so long accepted as gospel.

So it becomes almost impossible to secure the support, as I said earlier, of sympathetic Congressmen for help for New York when their own constituents

in overwhelming numbers accept both literally and figuratively the pronouncement of the President and fail to even contemplate the economic horrors that might well follow if New York City defaults.

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

Mr. AMBRO. I yield to my colleague, the gentleman from New York.

Mr. SCHEUER. Mr. Speaker, I wish to compliment and commend my colleague, the gentleman from New York, for his candor, his clarity, and tne articulateness with which he has faced up to these intolerable and punitive attacks that have emanated from the President and his administration.

I would ask my colleague, Can he conceive of any other civilized nation in the world demeaning, humiliating, and punishing the inhabitants of its greatest city?

Can my colleague in the well conceive of the French punishing Paris, forcing Paris into bankruptcy? Can he conceive of the British seeing London go gurgling down the drain, or the Italians seeing Rome go into bankruptcy, or the Japanese seeing Tokyo going down the drain? It is not inconceivable that by the standards of the civilized world community this punitive, hateful meanness of spirit should be applied by the Chief Executive of our land and his chief Cabinet officials to punish, demean, and diminish in the eyes of the world the greatest city in this country, the center of our finance, of our communications, of our intellectual endeavors? Am I overstating perhaps my utter astonishment and my embarrassment as an American in watching my President foul our own national nest?

Mr. AMBRO. I thank the gentleman, first, for his kind remarks. I will say, no I cannot conceive of that, and I will add that this Government not only looked in the direction of Chicago when it needed help, but it looked in the direction of Cedar Rapids in the thirties when it needed help. The gentleman knows who represented Cedar Rapids.

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

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

Mr. GRASSLEY. I thank the gentleman for yielding.

I would say to the gentleman from New York (Mr. SCHEUER) that he is oversimplifying the comparison considerably. From the standpoint that the countries and the large cities of the world that the gentleman mentioned prospectively could be in trouble and their national governments would come to their rescue, the relationship of those cities governmentally and constitutionally to their national governments is much different than is New York City's relationship to the Federal Government. The relationship in the United States has been much more one of home rule for New York City, vis-a-vis the State government, and very definitely as compared to the Federal Government.

From that standpoint, New York City has had much more opportunity to correct its situation. It has had much more opportunity and freedom to legislate as it saw fit to meet local needs and local conditions. The city had the ability much greater than the major city governments of these other countries that the gentleman mentioned to tax themselves, and to borrow themselves to meet their fiscal needs as they saw them. Consequently, the gentleman cannot under those circumstances of freedom that New York City has had, that none of these other cities has had, blame the Federal Government or the national administration at this time, be they Republican as they are, for the situation and the failure to rescue when the constitutional makeup does not create the same responsibilities on the part of the Federal Government, nor does it demand that it respond accordingly as in all of these other countries that the gentleman mentioned.

Mr. AMBRO. If I might, I should just like to get to the rest of the body of my statement, and in doing so I think we will respond to the gentleman's remarks.

I might point out that tomorrow the President has announced what he bills as an important speech before the Press Club, and I would hope that the tone and the level of the dialog then is in some way raised.

I want to point out that my district is not urban and is not, as I said, in any way part of New York City. It is suburban in part and in part encompasses a part of the county which is the largest agricultural county in the State of New York. But because I firmly believe that the economic repercussions of the New York City default would be so severe, to speak those things which I think must be said and should be made part of the RECORD, so that my colleagues in the House and my own constituency are alerted in advance to those things which might ensue, I am here tonight.

The truth of the matter is that if I were silent in view of that which I have come to understand, and not in advance tell this House, and through this tell my own people, I do then think that I will have done my constituents and my colleagues a great disservice, because if this House fails to act and if this Congress fails to act and if this Government fails to act and New York City defaults, then I would shudder at what would happen when the direct and indirect effects of this economic holocaust hits economically, psychologically, and politically.

My colleagues have tonight and will provide the Members with fact after fact in an attempt to write a truthful record about the reasons why New York City is in such financial trouble, and we can all agree that there has been profligate spending and overly liberal government.

My colleagues have tonight and will provide the Members with fact after fact about what steps have been taken thus far to develop a framework of fiscal responsibility, and tomes on that subject are overwhelming and I hope most of it will be inserted in the Record.

And my colleagues have tonight and will provide the Members with fact after fact about the Draconian measures that have been imposed and about the responsibilities that are being given up to other levels by the New York officials for their jurisdiction over financial matters and budget matters to the extent no other autonomous municipality has ever done in the history of this Nation.

The effects of these most stringent measures on people and not institutions alone and the range of the options that this Government can take underlie especially the low-risk undertakings that we can do.

My purpose is to reiterate a great many to those things that Members have heard and will hear about the impacts and effects on the suburban communities.

There is philosophical concern about the intervention of the Federal Government into what is perceived as a purely local matter. Such insular thinking flies in the face of reason and I would like to explain why. There is ample precedent for the Federal Government being the fiscal agency of last resort. Precedents have been found in revenue sharing and, more germane, in the Reconstruction Finance Corporation guaranteeing municipal bonds for the city of Chicago in the early thirties to stimulate economic recovery from the depression.

A cursory examination of State payments into the Highway Trust Fund and apportionments from the fund reveals that no fewer than 32 States have received apportionments in excess of payments. Thus the remaining 18 States, generally those with the high population densities and large cities of this Nation are in fact paying the freight, if one likes those terms, for the rural roadbuilding that we have done. There has been no hue and cry over this situation from those same persons who would turn their backs on New York City. It is not my intention now to be overly divisive but rather to illustrate some of the precedents for disproportionate aid to entities with the most dire need even though their contributions are not the same as other Government entities.

At present the Federal Government guarantees homes, bank accounts, farmers' income, State unemployment benefits, overseas American corporations, Lockheed, and the Northeast bankrupt railroads. There have also been soil conservation programs which have provided matching funds which encouraged contour farming and federally-sponsored rural electrification programs.

Moreover financial insolvency of an urban vast population center is no less a natural disaster than flood, earthquake, or tornado, so let us put the dangerous precedent notion in part at rest.

Now I want to shift tone, because I heard our illustrious colleague, the gentleman from Massachusetts, say this. He did say:

Give me your tired, your poor.

He left unsaid:

Your huddled masses, yearning to breathe free,
The wretched refuse of your teeming shore,
Send these, the homeless, tempest-tossed, to me:
I lift my lamp beside the golden door.

These are not alien words on an alien symbol in an alien port.

They reside proudly on our symbol of freedom, a beacon light to all the world's oppressed, a physical monument embodying what this Nation stands for. This symbol, this monument, this embodiment, is not in Atlanta, not in Baltimore, not in San Francisco, not in Los Angeles, not in Chicago, not even in Washington, D.C., but it sits proudly in New York's harbor.

New York City as well envelops the Statue of Liberty. Now, I do not know if we know what that means, but I will tell this House what I think it means. My grandparents and those of many of the Members of this House came to these shores through New York where they were educated, housed, given job opportunities, provided with the roots of understanding and democracy that they set forth.

Now, many people have touched on this, but all of this since the mid-1800's has been paid for out of the pocket of the city of New York and its resident; never once whimpering to the Federal Government for handouts, bailouts, or anything else. They paid for it. They gave life and hope and all of those things which this Nation means in the world to millions upon millions of people.

While the gentleman from New York (Mr. STRATTON) said that New York City never did very much for him, in my case New York City did a great deal for me. I was born in New York City. Both my parents were educated in the public schools of New York City. My father became a lawyer as the result of New York City. I got my education as well in New York City. I went to a private college, NYU, yes; but I lived in New York City and got the benefit of the culture, the art, the theater, the media, and the vibrance of that city.

Now, New York City does admittedly have its own unique problems. One of those is always singled out by its detractors, its welfare. Somebody asked me the other day, how many New Yorkers are on welfare? The response was that there are a million Americans living in New York who are on welfare.

Federal law says—Federal law says, not New York City law, not New York State law, not Baltimore's law or San Francisco's law, but Federal law says New York City and all our cities must provide welfare. As a followup to that question, we can interpolate that the courts have consistently held that a residency requirement cannot be imposed. The overwhelming majority of more than 1 million welfare recipients are not native New Yorkers. We heard that. The jobless and poor who have migrated from the South, from Puerto Rico and other impoverished States of this Nation, have come to a city where they sought a better life.

There was inept management in New York; but I suppose if one peeled away the layers, as we have been doing in New York City, there is inept management in many, many places, both in the corporate world and in the governmental world in this Nation; but the welfare situation is not the product of inept management, but rather a manifestation of the national problem and a demonstration as with New York generosity with emigrants, a demonstration of a great lady's sympathy and decency in opening her arms to those who moved to that great city. That, unfortunately, is in many cases now the burden that New York City bears. In the absence of a nationalized and uniform welfare program, cities like New York City are forced to bear an inequitable burden because of a federally imposed program. We have heard the facts with respect to the inequity in terms of the formula with respect to New York. In 1973 New York was reported as the State of residence for 17.3 percent of all aliens reporting.

California provided for 24.7 percent, and 12 States had from 1.2 percent to 6.2 percent. The remaining 36 States reported 14.3 percent of immigrant alien population in the aggregate. Of the 120,740 aliens naturalized in 1973, New York State had 19.7 percent of the total, or 23,760 new citizens. California, the next highest at 17 percent of the total, had 20,482 new citizens.

I cite these figures merely to illustrate another unique problem in New York which they have coped with for half a century with no appeal for help, although it is clearly another problem occurring in New York City by virtue of its being the prime port of entry. To those of my colleagues who still cling to the notion that New York City's default is a local problem, I would like to cite some examples of local repercussions that will be felt everywhere, and the effect will be on people all over the country.

Debt financing is used to construct public facilities, schools, roads, transit facilities, libraries and hospitals. A closed bond market, or at least on the base where only top grade bonds are marketable and any lesser quality would go begging, is surely a problem national in scope. Disappearance of a ready market for municipal bonds or a sharp increase in interest rates on them could easily signal an economic downturn. Current economic recovery could be pinched off, if not entirely reversed.

Members have heard now, and heard it before and will continue to hear it, that the big variables are the psychological attitude of the investor and how the Federal Government chooses to deal with the situation. Despite all the talk from experts, no one really knows what will happen in terms of financial dislocation, but there have been some indicators. We previewed some of these on Friday, October 17, when default appeared imminent. The dollar lost value abroad, the stock market came to a standstill and the municipal bond market disappeared.

Just last Friday, October 24, New York City's plight seemed to be taking precedent over everything else in the stock market. The market is apparently leveraged to New York City with a clear sign of monetary ease results in a drop of nearly 15 points. National City Bank lowered its prime rate.

It is possible the bond market is capable of being sophisticated and objective, although the indicators today are quite the contrary. Many local officers, as the Members have heard, refused to accept higher interest because of the taxpayer burden. A 1-percent increase in interest on a $10 million bond for 10 years means an additional $500,000 cost, most of that in local areas on a regressive property tax.

Last week in Nassau County in Long Beach, bonds sold for 11½ percent. The week before in the Sachem School District in Suffolk County, 10.7 percent. Smithtown, 10.5 percent; all up from around 5 percent. The impact is not arithmetic; it is geometric in terms of real dollars and horrendous in terms of a property tax base which is not geared to one's ability to pay.

If banks, individuals, and insurance companies shy away from the bond market, there will be widespread crisis among the States and municipalities that depend upon access to credit. The damage of default is to people, not institutions. All people pay the cost of higher interest rates, depend on financial interests, look to public works projects and rely on governments for stability and security.

In addition to a nationwide moratorium on construction of public facilities, consider the cost to the Federal Government to provide for a city unable to pay for its police, its firemen, its sanitation workers, and keep its hospitals and schools open; a city with over a million on public assistance; more than $1 billion in tax dollars will be the effect, just off the top from a cursory analysis.

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

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

Mr. DOWNEY of New York. Mr. Speaker, first of all, let me just say to the gentleman that I find his statement not only eloquent but tremendously persuasive.

I am curious. Does the gentleman have any idea of how many people would be unemployed from the County of Suffolk and in the gentleman's district? These people would not go on the city's welfare rolls but on the welfare rolls of the County of Suffolk and the County of Nassau.

Mr. AMBRO. I shudder to make that kind of projection in the RECORD, but I think it is quite high. And since I do represent, as the gentleman knows, a bicounty area, I represent a portion of those areas.

And so since there are other gentlemen, such as the gentleman from New York (Mr. DOWNEY), my distinguished colleague next to me in Suffolk, I would hate to make that kind of projection without talking to each of those Members; but I think, from talking with people in county government and in town government, as well, and since I was in municipal government for 16 years before I came here, I think the effects would be overwhelming.

Mr. DOWNEY of New York. If the gentleman will yield further, the effects unquestionably are overwhelming. Just

last week the East Islip School District sent me a telegram, when they were contemplating floating a bond issue, that the percentage of interest they would have to pay on these particular bonds had gone up from 4½ percent to 10.5 percent. I think that that is indicative of what will happen to the Long Island School Districts which are within the metropolitan area but which are not within the city of New York.

Mr. Speaker, I will say that the gentleman from New York (Mr. AMBRO) and I probably represent 800,000 people who live in the County of Suffolk, and many thousands work in the city of New York, if the city defaults they will become unemployed and would in turn be placed on the unemployment rolls in the County of Suffolk.

I might add that Suffolk County, and the town of Huntington within the county, has the highest bond rating, yet they must also bear a 10-percent interest rate on municipal bonds. So certainly the effects go far beyond the city that has been alluded to, but it is tremendously damaging to the New York metropolitan area where there are literally millions, not only in Long Island, but in Suffolk, as well.

Mr. AMBRO. I thank my colleague, the gentleman from New York (Mr. DOWNEY), for his most knowledgeable and aware statement for the record as to how a New York City default or a bankruptcy affects the suburban area, which suburban area is not unique because it is in close proximity to New York but because it is a paragon of other areas in other cities which will have and are having the same problems.

Mr. DOWNEY of New York. I think the gentleman made a very eloquent statement when he read the statement on the Statue of Liberty.

Twenty-six years ago I was born in the city of New York.

Mr. AMBRO. If I may, I did not make the eloquent statement. Someone else did. I just read it.

Mr. DOWNEY of New York. I realize that.

My parents were educated in the city of New York, and I think what we are attempting to do as members of the delegation today is not to hold up the business of the House of Representatives but to highlight in the most dramatic way we can and the most impassioned way we can our deep feelings about our State and about a city we love, a city that gave many of us our start both in politics and life.

Mr. AMBRO. Without question. I thank the gentleman from New York.

Let us talk about our senior citizens. For senior citizens there is a possible loss of savings and retirement income. Someone might say, "Why possible?" I think we have said again and again that it is almost impossible to precisely catalog exactly what will happen if indeed we have a default. But New York City bonds are bearer instruments rather than registered. Consequently, there is no exact figure on who the city's creditors are until 51 percent or more come forward under bankruptcy proceedings.

We do know, however, that over 20 million persons in pension funds would be adversely affected if the pension fund which was invested in New York City suffers reduced bond payments. The pension would have to be reduced or it might evaporate. Those 20 million people are scattered all over the United States, not just in New York City.

Can we imagine that? Those who have relied for the future on moneys coming from a pension fund are being answered by the simple statement that "It might not be so bad if New York City defaults and goes bankrupt, even though you who have put your life's earnings into a pension fund will now only get anywhere from 90 cents to 1 cent on a dollar."

Let us think about that. One cent on a dollar. We would be impoverishing people who have worked all their lives and are now looking to a pension supplemented by social security. And the social security rate suffers at the hands of those who would drop the cost-of-living increase to less than that, imposing again a burden indirectly on the Federal Treasury and on every taxpayer in the Nation.

Members may cling to the mindless and unyielding administration stance or they may take a cheap shot at New York City, which is a popular vote-getting technique. But it is going to be much more difficult to explain increased taxpayer costs after default rather than to head them off with a virtually no-cost action.

The most compelling and practical reason the Federal Government should help is if it does not, every U.S. citizen will pay more for Government services. At the very least, inaction by the Federal Government could threaten this country's credit system, erode our credit standing internationally, and damage economic recovery. Failure to act will irreparably damage New York City, yes, and probably every other city.

On the other hand, prompt Federal action could facilitate New York City's reentering the bond market and obviate the need for Federal expenditures. A guarantee now is a low-risk remedy, whereas a bailout with emergency aid after default could cost billions. An expenditure cutback by New York City adds $300 million to $400 million to the Federal deficit because of the loss in tax receipts and concomitant requirements for public assistance. Taxable bonds would add to the revenue.

Neither New York City nor New York State can borrow the money necessary to continue on in order to get through the remainder of this year. Therefore, for all the reasons I have stated, I feel it is incumbent on the Federal Government to aid New York City by a guarantee of its municipal bonds. The cost to taxpayers for a low-risk guarantee is minimal, especially as opposed to picking it up afterwards.

Inherent in such guarantees, of course, would have to be tight control measures.

In discussing the loan guarantee program with two of the eminent committee chairmen of this House, one of them suggested to me that a loan guarantee program would be an invitation and an encouragement to the city not to pay its debts. Well, in just trying to respond to that statement objectively and directly, we evolved the feeling that this might—just might—pull in an awfully lot of those who suffer the same feeling that loan guarantees might indeed encourage and invite New York City to throw up its hands and say, "The full faith and credit of the United States is supporting these bonds, so let them pick it up."

That evolution came to the view that we should or could in some way phase in the loan guarantee program to determine who was right.

My point of view and that of others with whom I have spoken is that New York City, with its stringent fiscal measures, its controls, its cutbacks, indeed deals with the question of paying off in good faith its bonded indebtedness. However, there are those on the other side who say, "No, they will not."

I do not know how we can work out as a compromise, considering what I see in this Congress to be a good number of those who will not support any program for New York, a compromise to pull them in terms of phasing in these loan guarantees.

However, maybe that is an approach, because, as I see it today, unfortunately we have less than majority support.

Mr. Speaker, I would hope that each of us standing in this well and sitting in this room and doing what we can to compile the facts, dissipate the myths, plead as passionately or as well as we can for movement in this direction, do, indeed, succeed; but at the moment there is not very much hope. If we must talk in terms of compromise, maybe we can talk in terms of phasing in a loan guarantee program.

NEW YORK CITY'S FISCAL CRISIS

The SPEAKER pro tempore. (Mr. MILLER of California). Under a previous order of the House, the gentlewoman from New York (Ms. HOLTZMAN) is recognized for 60 minutes.

Ms. HOLTZMAN. Mr. Speaker, the basic question before the Congress and the country with respect to the New York City fiscal crisis is, What will it cost to prevent a default by New York City, and what will it cost if we fail to prevent a default? In other words, what will happen to the economy, to the projected recovery, to unemployment, to the gross national product if New York City is permitted to default? What will happen to the Federal budget, to revenues, expenditures, the deficit if we do not act? What will it cost to help?

In an attempt to answer these questions, I chaired a special hearing of an ad hoc task force of the House Committee on the Budget last Thursday, October 23.

Two distinguished economists, Dr. Otto Eckstein of Harvard University and Data Resources Inc., and Dr. F. Gerard Adams of the Wharton School of Finance and Commerce, testified about

econometric studies of the impact of a New York default which they had performed at the request of the Committee on the Budget.

Dr. Robert Reischauer of the Congressional Budget Office commented on the validity of their studies.

The two economists' conclusions were sobering. Both predicted that a default would result in a nationwide cutback in State and local borrowing and a consequent nationwide reduction in State and local spending. The "multiplier effect" of such a reduction in spending would lead, they said, to severe increases in unemployment and in the Federal deficit and would reduce the gross national product.

Dr. Eckstein estimated that a default by New York City would result in the loss of more than 500,000 jobs across this country and a decrease of $14 billion in the growth of the gross national product. Dr. Adams projected a loss nationwide of 430,000 jobs if New York City defaults and a reduction of $10 billion in the gross national product growth.

Equally alarming were the economists' predictions with regard to what a New York City default would do to the Federal budget. Dr. Eckstein estimated that the default would cost the Federal Government $4 billion in reduced corporate and individual income taxes and in increased Federal payments for unemployment compensation, welfare.

In other words, the Federal deficit will be increased from $2.8 billion to $4 billion simply as a result of doing nothing. Allowing New York City to default is an expensive proposition to every taxpayer in this country. It is an expensive proposition to the Federal budget.

Dr. Reischauer of the nonpartisan Congressional Budget Office echoed the economists by stating that their predictions are, "Well within the range of possible impact on the economy." He noted that, in his opinion, the probable impact of default would be less severe than that predicted by Dr. Eckstein but more severe than Dr. Adams' estimates.

It is important to stress that each economist based his prediction in the most optimistic assumptions, that is: First, that the Federal Reserve would step in and stabilize the money markets; second, that there would be no financial panic; and third, that the Nation's economy would be in strong recovery. If, however, the Federal Reserve Bank does not step in or is unable to stablize money markets, if there is indeed a financial panic or if the Nation's economy is not in a strong recovery—which many economists predict—then the magnitude of New York City's default could be stupendous, calamitous.

Dr. Adams of the Wharton School said that the result of a New York City default could be "catastrophic."

It is clear, Mr. Speaker, that a default by New York City would have grave financial consequences for all Americans.

The Committee on the Budget's special hearing was the first attempt by the Congress to make a quantitative measurement of these consequences. But even that quantitative measurement is not exact in the sense that it does not take into account the cost to the economy of bankruptcies of individuals, of bankruptcies of corporations, of bankruptcies of other businesses and of bankruptcies by banks. It does not take into account any international impact. What effect those matters could have in terms of great loss of revenues, increased deficit, and in terms of generating a financial panic, no one knows. No one has been able to measure it.

Under the legislation before the Congress which permits Federal guarantees of taxable municipal bonds, it will cost the Federal Government nothing to aid the city of New York. In fact the Federal Government could make money from such a plan.

Thus we can see that the costs of failing to aid New York City are potentially enormous, up to $4 billion in added budget deficits, around 500,000 persons in increased unemployment and misery, and billions more in Federal aid which everyone concedes will be necessary to maintain essential services and stabilize financial markets if a default takes place.

Clearly the most prudent, conservative fiscally responsible course is for the Congress to act quickly to avert a default by New York City. It seems to me that the question is not whether the Federal Government can afford to help New York but whether it can afford not to help it.

I think the answer is plain. This country cannot afford to take the risk of a default—especially when it costs nothing to avert a default.

All the discussions that have taken place about not helping the city of New York, are really side-stepping the central issue with respect to the cost question. Anyone who says he is being fiscally responsible by turning a deaf ear to New York City is talking nonsense.

Every economist I have heard has said that a default in New York City will have very costly consequences. These two prominent economists who appeared before the Budget Committee task force stated unequivocally that there would be a very serious consequence. There would be a specific consequence in terms of increased unemployment; there would be a specific consequence in setting back the growth of the gross national product; there would be a specific consequence in terms of an increase in the deficit—and this assumes that the recovery of the economy takes place, and that no financial panic takes place.

So it seems to me plain that if we are just talking dollars and cents, we have to support the Federal Government's assisting New York City by providing a taxable guarantee for its bonds or MAC bonds or State bonds. I think on a dollars-and-cents basis, assistance to the city of New York is fiscally responsible. In fact, it seems to me to be the only course from that point of view.

There are other factors that we also ought to take into account, namely, the cost to taxpayers around the country from an increase in municipal bond costs. It has been rather hard to get all the figures on municipal bond cost increases, but newspaper reports have recently indicated that in the past 8 months a typical $1,000 State or city bond has declined by about $185 in value. That means that buyers of bonds are willing to pay only $815 for bonds with a face value of $1,000. The effect of this is to raise the price that governments, State and municipal governments, have to pay for the money they borrow.

We have seen an increase from 6.32 percent to 7.59 percent to 7.78 percent in the Dow-Jones Municipal Bond Yield Index.

Translated into plain language what this means is that every municipality or State that sets out to build a school in this country, every municipality or State that sets out to build a highway, is going to have to pay more for it. Some of these projects will not even be built because the costs of borrowing will be much too high and the municipality will say, no, we do not want to build the school this year; we cannot afford it. We will not build the additional sewer project this year because we cannot afford it.

Not only will this mean a reduction in the quality of life in our country, but it is also going to mean increased unemployment, because people will not have jobs on construction projects that were expected to take place.

Somebody in a recent newpaper article estimated that the cost to taxpayers around the country for a New York City default in terms of increased interest rates on municipal borrowings is going to be $3 billion. This, in my judgment, is an enormous amount of money to pay especially when it is not necessary to pay one penny. It is not necessary for the taxpayers of this country to pay 1 cent if they are willing to prevent a default and issue a guarantee for New York City's debt.

Let me also state, too, that there are some other considerations that ought to come into play aside just from the dollars and cents, commonsense of this matter. Before I go into those, I just want to add one other point. If New York City defaults, not only are we going to see an enormous adverse economic effect spread across the country in terms of construction projects not undertaken, increased unemployment, increased unemployment compensation payments, and so forth, but in addition the Federal Government is going to have to come into New York City and pay anyway.

If New York City defaults on January 1, the city is going to be short at least $300 million that month—assuming no debt service is paid. We are going to find more people on welfare in New York City, and we will find more people entitled to unemployment compensation, and we will find a need possibly for Federal assistance in law enforcement, and we may find a need for the Federal Government to come in with direct additional support in a variety of areas. It will certainly have to pay in the form of increased unemployment compensation benefits and the increased welfare costs at the very minimum.

But why should the Federal Government have to pay this extra amount when it does not have to pay anything

by agreeing at this point to guaranteeing the municipal debt which does not cost the Federal taxpayers a penny?

Let me go on to some of the other points I think we ought to take into account. This is a Bicentennial year and we ought to stop and reflect about where we are and how far we have come in this 200th year of our country's birth. It seems to me that one of the crucial things is that we remember in this Bicentennial year that these are the United States of America. If we do not recognize in this 200th year of our birth that we stand together as the United States of America, then it seems to me a sad comment on that anniversary.

New York City was the first capital of this country and it would be an incredible thing 200 years later to turn around and say to this city that was the first capital of the United States and the city in which George Washington was inaugurated as the first President: "We do not want to know about your problems and we do not care about you. We would rather see you cut off," as one Presidential candidate once said, "and drift out to sea."

Perhaps these people think New York State ought to go too, because surely New York State will default if New York City defaults.

Can we really proudly celebrate our Bicentennial in the 200th year of this country by saying one State in this country does not count and one city in this country does not count and that we do not stand together as the United States of America? Surely we should have learned that lesson over our 200-year history, that we either stand together as a country or we do not make it at all.

Let me also say that those people who talk about New York City as being profligate and New York City as being irresponsible, should also understand what role the people of the city of New York played in this. The people of the city of New York are going to be the victims of further budget cuts and are the victims right now of a substantial budget cut. They are the victims of increased crime arising from cutbacks in police; they are the victims of increased fires as a result of cutbacks in our fire department; and they are the victims of increased hazard to the safety of their children because of the removal of school safety crossing guards, and they are the victims of increased lack of safety to their children with respect to hazards from the removal of the security personnel from the school system. They are the victims now and they will be the victims of job cutbacks and layoffs that have taken place and that will be taking place.

The people of New York City had no real inkling of the kinds of financial gimmicks that are now being discovered and which the city officials had been engaged in. Actually it came as a surprise to most of us that the city was in such severe financial difficulty. It came as a surprise to many of the people of this city who had never voted for improper kinds of expenditures in the capital budget or the deficit spending the city has engaged in.

I think it is unfair to blame the people of the city for the lack of disclosure by various city administrations of the true and painful fiscal reality and for the failure of these administrations to follow proper accounting measures and for the failure of the city government in many respects to be honest over a long period of time. I think we have to be aware of the fact that the people of the city are and will be the victims of past mismanagement.

In fact, right now in proposed revisions of the city charter revision that is being proposed for the first time in the city, the people are being offered the opportunity to insist on certain kinds of accounting measures that the city government ought to be following, to insist, in addition that capital budget funds will not be used improperly in the expense budget.

So it is unfair, it seems to me, to blame the people of the city for the problems of dishonesty and gimmickry in which they played no part and in the many irresponsible measures they never approved.

It is also important to understand what the Federal role has been in the problem that New York City faces. Obviously, as has been pointed out before, the city has been the victim of the loss of jobs, especially in manufacturing over the past decade. The city's tax base has been eroded and it has not cut back its expenditures quite enough to meet the loss in tax base.

It seems to me we ought to examine just where the Federal Government has been in terms of the role it has played in the loss of this tax base to the city, in the removal and the loss of jobs in the city of New York.

Nobody who tries to study the urban scene can fail to take into account the role that the Federal Housing Administration, FHA, has played in the moving of people from the inner city to the suburbs. The Federal Government and taxpayers across this Nation have simply financed the moving of people to the suburbs. That may be a desirable policy, but if the cities lose their tax base as a consequence, can the Federal Government in all fairness turn around and say, "We are not responsible"?

The Federal Government has also contributed to the moving of companies out of the Northeast sector of this country and out of the New York City area to the South and other parts of the country.

The industrial revenue bonds—which by Federal law are tax exempt—helped to finance this move. The industrial revenue bond is underwritten by the taxpayers of this country. Can the Federal Government allow industrial revenue bonds to encourage and finance the removal of businesses and jobs from New York City to South Carolina or North Carolina or Tennessee or Florida or Texas or anywhere in this country and then in all fairness say to New York City, "You suffer from the loss of these jobs"? Can the Federal Government be blind to the consequences of its role in this process?

Can the Federal Government spend billions and billion of dollars on defense, budget and over a long period of time billions and billions of dollars on defense, very little of which comes into the State or city of New York and most of which goes to other parts of the country and close its eyes to the consequences of that? Can the Federal Government really ignore the consequences of its decision to allow citizenship for all Puerto Ricans and the fact that New York City has not only been willing, but in fact, must provide persons who come from Puerto Rico with homes, schooling and decent medical care an opportunity to lead a new life?

Can the Federal Government close its eyes and turn its head away from the consequences of its welfare policy, which has required New York State and city not only to pay for the welfare costs, and to absorb persons who travel across this country and who qualify for welfare, but to pay a disproportionate share of that cost?

As we face up to the grave consequences of the possible default of the city of New York, we have to be willing to recognize the role of the Federal Government has played in the past to help undermine the economy of New York, to look at the role of the Federal Government as it has affected urban areas in general, to look at the unfairness of the Federal largesse, which has not come to New York City in the way it has come to other areas, to understand that the Federal Government has not played the kind of role it should in fostering new industrial development in New York City as it has in other places in the country.

If we look at the aerospace industry, it has made California and Texas blossom. Defense industries have been established in the South and West of this country, and we can see very clearly how the Federal largesse has been distributed not to the advantage of New York City, not to the creation of jobs in the city. I think we cannot ignore that as well.

Many people have said, "Is New York City doing its share? Is it tightening its belt?" I think the discussions earlier have shown that the cuts that have taken place have been very painful cuts. They are not always cuts that I would have agreed with and they are not always cuts that I, had I been in a position to do the same, would have called for. They subject the people of New York City to a very difficult situation. All of us who live in the city and who cherish life in that city are going to have to suffer as a result of them, but I think it has to be plain to the Members of the House that substantial budget cutting has taken place and more is yet to come. As difficult as it has been living in New York, it is going to be more difficult as we try to get our budget into balance.

Mr. KOCH. Mr. Speaker, will the gentlewoman yield?

Ms. HOLTZMAN. I yield to my colleague from New York.

Mr. KOCH. Mr. Speaker, first I want to take this opportunity to say I do not think there has ever been a clearer exposition of the problem, any problem on this subject, than that just given by the gentlewoman from New York. If there are those who are truly interested in understanding the problem that the city of New York is facing, that the State of New York is facing and ultimately that the Nation will be facing if they do not help us with this enormous problem, they

merely would have to read the gentlewoman's remarks in the RECORD tomorrow.

As I said when I was in the well myself earlier in the evening and made my comments, after which I had to go to a meeting where I addressed the Joint Committee on Czechoslovak-American Organizations which is here to celebrate the founding of Czechoslovakia—that what was important to me was what this country stood for.

This country stands for freedom; it stands for equality and it stands for having the opportunity for people to rise. We all have a responsibility, one to another, and it would be disheartening indeed if the responsibility that I think we all have to one another, whether we come from the city of New York or from the city of San Francisco, were shirked. If we were to turn our backs on that responsibility, it would be horrendous. I, for one, do not believe that my fellow citizens, men and women across this country, are going to turn their backs on the city and State of New York. To me, that is unthinkable.

I believe this country is truly great, and its greatness lies in the fact that we are citizens not only of our localities, but citizens of a country with responsibilities to one another.

Ms. HOLTZMAN. Mr. Speaker, I thank the gentleman for his contribution.

Mr. Speaker, I would ask unanimous consent to insert in the RECORD at this point a table listing the steps taken by New York City with respect to solving the budgetary crisis that it finds itself in.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from New York?

There was no objection.

The table follows:

STEPS TAKEN BY NEW YORK CITY

In response to its worsening financial situation, the City of New York has taken steps to reduce its expenditures and thereby minimize its borrowing needs. The following table shows the employee reductions the city has been able to achieve in the last ten months:

Employee group	Employees, Dec. 31, 1974	Employees, Sept. 30, 1975	Reduction
Police	35,411	31,266	4,145
Fire	14,003	12,518	1,485
Sanitation	14,295	12,295	2,000
Social services	26,768	24,023	2,745
Board of education	79,852	72,775	7,077
Board of higher education	20,009	18,573	1,436
Hospitals corps	46,780	41,733	5,047
Other	57,404	50,163	7,241
Total	294,522	263,346	31,176

The following steps have been taken at the direction of the Mayor to institute changes which are designed to reduce operating expenses and improve the City's management practices:

A $1 billion cut in services in this year's budget, of which $400 million is due to layoffs.

A wage freeze instituted for all employees.

First commitment to a ceiling on expenditures with no increase in taxes.

A new Mayor's Management Board to recommend changes in the City's administrative process and to develop greater productivity. The Board is composed of major corporate executives and chaired by Richard Shinn, President of Metropolitan Life Insurance.

A Temporary Commission on Long Term Financing established by the Mayor, composed of leading experts in urban policy and financing, to develop methods of financing for the City in the future.

A major reorganization of City agencies, including dismantling of the so called "super" administrations, and in some cases the elimination of entire departments.

A new accounting system is being implemented to conform to the State Controller's Manual.

Items appearing in Capital budget appropriations for operating expenses are being shifted back to the regular operating budget.

The Metropolitan Transit Authority has raised the fare to $.50, more than a 43% increase.

Although the Board of Higher Education has voted to retain a free tuition policy, the equivalent City tax levy funds for the City University has been cut $32 million by the Mayor. An addititonal $32 million reduction takes place from State funds because the aid program has a matching requirement.

A new Deputy Mayor for Fiscal Affairs has been appointed by the Mayor. Ken Avelson, Vice-President of J.C. Penny has joined the City to develop the fiscal plan to be presented to the Emergency Financial Control Board and to be in charge of all fiscal matters for the Mayor.

Ms. HOLTZMAN. Mr. Speaker, I would just like to conclude my remarks by addressing the same points that my distinguished colleague from New York (Mr. KOCH) has addressed. Ultimately, the greatness of this country has to be measured by its sense of pride in all of its accomplishments and in all of its parts. We are a country of very varied peoples. Our ancestors come from different countries around the world. We do different things and live in different kinds of environments. That is one of the outstanding and great things about this country. It has been a place where all kinds of people could find a home, a sanctuary, a place to work, a place in which to dream great dreams and see them come true.

If we reject this part of our heritage that has made us great, it will be a sad way to celebrate the 200th year of our country's founding.

FISCAL CRISIS IN NEW YORK

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. SCHEUER) is recognized for 60 minutes.

Mr. SCHEUER. Mr. Speaker, we are here to face the fiscal crisis which now afflicts the city of New York. But by focusing on just one of our oldest cities, we fail to recognize that New York's economic dilemma is not unique, but indeed is representative of cities throughout the Nation's northeast and central corridors.

While New York's situation is the most critical today, the symptoms of the economic decay which permeate New York are evident in many of our older cities. It is imperative that our focus include the problems facing all of our ailing, declining cities.

Self-inflicted urban problems must be distinguished from those due to forces beyond the control of local governments. The existence of a national pattern of urban decline makes it clear that there are fundamental and widespread urban problems which contribute greatly to the cause of individual city crises. Different cities will continue to experience varying degrees of excessive debt, above-average unemployment and unacceptably high cost-of-living.

For the most part, the ailing cities are those which are located in the *ailing* States of the northeast and central corridors. There are several exceptions, including Atlanta, Birmingham, New Orleans and San Francisco, which have very serious fiscal problems. There is every indication that large cities in general—and not just those which are now declining—will be coping with increasingly greater fiscal problems.

But the problem today is most severe in the Northeast and Central corridors where almost all of the largest cities and towns are coping with fiscal instability. In Massachusetts, 17 of the 22 largest cities show the same pattern of decline as does Boston. Urban decline is not a selective phenomenon; it already permeates entire States such as Massachusetts, entire regions, and most likely will continue to spread unabated like some fiscal Dutch Elm disease.

A declining city generally is one which has constructed most of its housing prior to 1940, and which is experiencing both an outflow of its middle-income households and an overall loss in population. Other major cities which fall into this dark category include Baltimore, Buffalo, Cincinnati, Cleveland, Chicago, Detroit, Milwaukee, Philadelphia, Pittsburgh, St. Louis and Seattle. Between 1960 and 1973, these cities experienced a total loss of approximately 1.8 million people—or about 12.5 percent of their overall populations.

Clearly, there has been a national trend of migration from the older high-density urban areas of the Northeast and Great Lakes States. During the past 2 years, the states of Illinois, Pennsylvania, Ohio, Connecticut, Michigan and Rhode Island all lost population, joining New York, which has suffered population losses regularly since 1970.

If this pattern persists, it will mark the first decade in the 20th Century that any of these States—or the entire mid-Atlantic region—will have experienced a decline in population.

On the other hand, the States of the Southeast, Southwest and Mountain regions generally have been the eager recipients of the flight from the older cities. For example, between 1970 and 1974, the States of New York, Illinois, and Ohio have lost about 1 million residents in total, while during the same period the coastal States between Virginia and Florida have gained more than 1.8 million residents from the Northeastern and Central States.

Most crucially, this shift represents an exodus of middle-income individuals. No city can remain viable without its middle-class taxpayers.

Those moving beyond metropolitan areas, beyond the suburbs, are most likely to be employed, better educated and

equipped with professional skills than those who remain behind. Indeed, the background and training of these people is exactly what enables them to flee the cities if they so choose. And at this point, the skills of the middle class are those in great demand in the expanding communities of the South, Southwest, and the West.

It is important to remember that the declining cities are losing in population—and they also are losing in employment opportunities. This results in a further erosion of their tax bases. Not only have they lost the taxes which they would have received from these manufacturers and business firms, but they also lose revenues they would have received from these middle class executive and managerial personnel employed by those companies. People are leaving and the highest paying jobs are going with them. Traditionally, the loss of employment in declining cities is concentrated in the manufacturing sectors. Of the 107,000 jobs lost to the cities of Boston, Cleveland, Philadelphia and St. Louis between 1970 and 1973, 78,000 of them were in the manufacturing sector. In New York City, one-half of the 244,000 jobs lost during this period in the city's private sector were in manufacturing.

Unemployment in the declining cities in the 1970's has been about 20 percent more than the average for growing cities. As the Northeast and Central cities lose population, the ability to finance their public services is drastically reduced. And yet it is very difficult to reduce the employee rolls for such services as sanitation, police and fire protection, street repair and public utilities.

We do not have all the answers as to why so many workers, executives and manufacturing firms are leaving so many of our largest cities. We know that elsewhere they find lower taxes and generally lower costs. A prototypical family of four in Boston paid $1,979 in municipal taxes in 1973, while in Nashville the tax bill for a similar family was only $980 and only $970 in Dallas. In addition, the declining cities of the Northeast impose the Nation's highest property taxes.

Outside of these corridors, manufacturers generally can find lower labor costs for the same quality of skills. They leave behind the troublesome social and environmental problems of these cities for more attractive environments and the business advantages of areas which are less strongly unionized. They move closer to transportation centers and closer to raw material supplies. They leave behind the excessive costs of construction in high density areas and move closer to the energy sources of the Southwest. For example, consumers of electricity in New York paid more than 170 percent for their energy than did their counterparts in Houston. In general, those who move find that it costs less to abandon than to modernize.

What is the role of the city in this massive process of migration? The costs of financing a city have steadily risen. Their labor costs have risen, as well as the cost of living. Their housing is generally old and deteriorating. These problems have come to a head at a time when the Federal Government has allowed the economy to nosedive, thus aggravating the crisis. There are inflationary impacts beyond the control of the cities—such as the cost of oil. Furthermore, in all declining cities municipal employment levels are higher than for the growing cities, as are wages.

Each of these cities pays higher wages to greater number of workers. Also declining cities have assumed new burdens, new services such as health care, which is delivered to an increasing number of people as more lower-income families arrive in these cities.

The combination of higher debt, higher wages, more generous benefits and more employees adds up to higher per capita expenses. This is not a necessary state of affairs, and must be rectified by the cities concerned, however painful the process may be.

There are other factors with which city governments must grapple. Socioeconomic factors may increase the demand for public employees. In order to meet HEW requirements, many cities must hire more teachers to teach English. The concentration of heavy daytime populations in central business districts also results in the need for more police and other public service manpower. For example, in San Francisco, one of the declining cities, 24 percent of all police calls come from the central business district—although only 11 percent of the city's population resides in this area.

The relative strength of municipal unions in declining cities also make these cities more expensive to run. Municipal employees are aware that emergencies are likely to occur more quickly in a city like New York because of its high density. Thus, police and firemen in high density cities are aware of their bargaining clout.

While the number of workers per 1,000 residents performing common municipal services has been rising in both the growing and the declining cities, the rate of increase has been higher for the growing cities.

In the next few years, the jump in the number of workers per 1,000 residents in growing cities should be even more dramatic, since those cities will no longer be able to increase their population base by annexing territory. Such annexations accounted for 99 percent of the population growth of the growing cities during the past decade.

While it is true that there has been migration to the States which contain growing cities, the migration has not been to the central cities, but to their suburbs. The growing cities annexed these suburbs in an effort to increase their tax base, understanding that these suburbs would not be the places where services would be demanded. This is the story of Los Angeles, of Dallas, of Houston and Denver.

This process of annexation has all but been halted by the passage of State laws and the increased resistance of suburbanites. Now that the boundaries are fixed, the number of municipal workers—which traditionally lags behind the increased demand for their services—will begin to spiral upward, narrowing the gap between declining and growing cities.

Nationally, municipal workers from 1967 to 1972 received an average wage increase of only 13 percent, while New York City workers received an average increase of 11 percent, despite a more rapid cost-of-living increase in declining cities, as compared to other suburban areas. Thus, wage differentials between growing and declining cities narrowed somewhat in recent years.

Not only are people leaving and employment dropping in the declining cities, but income levels are weakening. It is harder and harder for the cities to raise revenues.

By 1972, the per capita income of residents of growing cities was about 7 percent higher than the level for declining cities. Between 1969 and 1972 per capita income growth in declining cities was only 18 percent, while in growing cities the average was 22 percent.

In large part, the pattern is reinforced at the State level as well. Massachusetts income growth was 18.9 percent, Ohio's was 17.9 percent, New York's was 17.7 percent. But Georgia's income growth was 28 percent, Colorado's was 29 percent and Alabama's was 27.9 percent.

Growing cities and States are overtaking the older cities in per capita income. Meanwhile, the cost of living in declining cities was significantly higher — and has been increasing faster—than in growing cities.

The demand for services has outstripped the ability of the declining cities to pay for those services. While the declining cities are spending more per capita and employing more workers per 1,000 residents, the growing cities are slowly but surely narrowing the gap and will eventually—as their densities increase—run into the same problems as their older brothers.

It is time for us to act by coming to the aid of our cities—not just New York City but all of our cities. It was the cities which came to the aid of their suburban and rural areas when they were undercapitalized due to narrow tax bases.

It was the cities which supported such projects as the construction of dams so that the farmers could irrigate their crops while also diminishing the threat of flooding.

It was the cities which bore the burden of the rural electrification program loans at 2 percent which brought power to homes all over this Nation. The cities have traditionally supported farm subsidies so that the farmers could get a fair price for their products. Let us not forget the massive subsidies that the cities provide our rural citizens in the form of gasoline taxes which pave the farm-to-market roads so that the farmers can get their goods to the consumer.

Was it not an ex-New York Governor who, when he was President, watched the devastating effect of the 1930's Depression on the South and directed vast amounts of Federal funds into those

States? Many of the military installations which dot the South are legacies from his years in the White House. But strangely enough, today when the Southern States are thriving, they are still recipients of vast quantities of Federal defense dollars.

In the Department of Defense military construction authorization requests for 1975, the northeast and central corridors combined—including a total of more than 85.5 million people—are allotted little more than $102 million. The Southern States, on the other hand, with fewer than 54.1 million people, are assigned more than $800 million. This figure is clearly disproportionate to their population or current needs. Old habits seem hard to break.

We can also add Federal civilian employment to the list of losses for urban areas. In 1969, we find that while the Southern and Western States gained 12,000 Federal civilian employes from 1970 to 1973, the Eastern and Great Lakes States lost 34,000 Federal civilian jobs.

To our friends in the suburbs, I ask whether it was not the urban taxpayer who joined in providing you with federally financed roads and sewers, facilitating the mass exodus from the central cities which drastically eroded our tax base? Now we need help, and it must come from that same Federal Government.

Although the Northeast and Great Lakes cities are under common economic strains, each has its own particular problems. Let us look at the unique and immediate problems of the city of New York. Until the early 1960's the city of New York was in a sound financial position. We provided a fine municipal hospital system, built housing for our poor, provided free higher education, and paid our share of our welfare costs.

Suddenly in the mid-1960's the roof started to buckle. Until that point, we had a manageable short-term debt of about $859 million. Within 10 years, our welfare rolls tripled and one in every eight New Yorkers became dependent on the city. We struggled with this for two reasons; the State set extremely liberal welfare limits and the immigration of poor people could not be stopped.

The U.S. Department of Justice has revealed one of the city's worst problems. The Department estimates that as many as 1.5 million illegal aliens this year are residing in the New York area. That is one out of every six New Yorkers. Not only do they not pay taxes, but also they are a drain on the revenues of the city. The Federal Government knows about this unlawful development and must assume its responsibilities.

The Federal Government must lift the $708 million welfare burden from the shoulders of the citizens of New York City. As is commonly realized this is a national problem and not a local one.

Similarly, the question of health care should be dealt with on national level. Every American should have the right to health care without fear that seeking such care will place him in financial ruin. It is obvious that with the advent of medicaid the demand for beds in city hospitals has gone down. City hospitals once full, now operate at only 77 percent of their capacity, as compared with a 87 percent capacity at private hospitals. Surely, the city must close off sections of these hospitals and redirect funds into out-patient clinics, but the $1.1 billion spent annually in the city for health services should be picked up by the Federal Government through a national health program.

If the costs of welfare and health care were lifted from New York City, it would be well on the road to recovery; but this does not seem likely in the immediate future.

New York is a very integral part of our Nation. It is the communications, cultural, and financial capital of the Nation, and the world. If New York City defaults—and this is inevitable unless aid in the form of bond guarantees is forthcoming from the Federal Government—the repercussions throughout our national economy will be pervasively destructive.

At the very least, the bond market, which has been tightening up for municipalities and cities all over the country, will virtually dry up. Interest rates have already gone up a full 1 percent in the last year—at a cost to U.S. taxpayers of $4 billion.

An even graver possibility, is that our current recession will lead us into the midst of a depression. As Europe has found out in the last few years, when America sneezes, the Western World catches cold.

Finally, we face the ominous prospect of a massive walkout by city employees if the city is unable to meet its payroll, with the attendant possibility of widespread civil disorder.

It is now up to the House of Representatives to respond to this call for aid, as each of us has the obligation to respond to Federal interests, as well as the interests of our individual districts. New York City has and will continue to cut hard and deep in its spending, in order to balance its budget and retire its debt. Without Federal aid, the city will default. If this aid is not forthcoming I can only hope that, in default, we do not gravely injure the rest of the Nation, too. It is up to you whether or not you want to take that gamble.

FISCAL CRISIS IN NEW YORK CITY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. ADDABBO) is recognized for 60 minutes.

Mr. ADDABBO. Mr. Speaker, those of us who live in New York and who love that great city, can perhaps be excused for our unrelenting desire to come to her aid in this hour of need. We have raised our families there and we would hope that our children, too, could raise their families in the city that more than any other represents what has made America such a symbol of hope for millions of people throughout this world.

We know all to well what its problems have been over the last decade or so. Some have been self-inflicted; others, just as heavy a drain on the city's fiscal resources, were the result of a changing world. Whatever its excesses, New York City, to its vast credit, never turned a deaf ear to a hungry stranger, never denied a human soul refuge. If New York must be humbled, then let it be for the bookkeeping gimmickery. But never should the people of New York City be ashamed of what they have offered to the world—hope and comfort and opportunity.

Yes, we have our problems in New York, and they are serious and must be corrected. We need a little old-fashioned candor from our city leaders; we need a foolproof system of accounting; we need reforms where we are paying too much and receiving too little.

But let us not forget that when we talk of the New York City budget, we are talking of the second largest governmental budget in this Nation, second only to the Federal Government's budget. We are talking of a city that is larger than 42 States of these United States. We are talking of a city where four of its total of five counties would rank as the third, fourth, fifth, and sixth largest city of this Nation. We are talking of a city that receives from the Federal Government $1 in Federal aid for every $7 paid in Federal taxes.

If the Federal Government were forced to do in the next year what New York City has done in the last 3 months in budget and service cuts, there would be panic in the streets and the stock market would sink out of sight. That will not happen when and if New York defaults, but the second worst will follow: There will be mass confusion throughout the world as to how and why this Federal Government of ours would let this happen to one of its great cities, and the effect on the national and international economy, if not staggering, will be felt widely and for some time to come.

The House Senate and Banking Committees and the Joint Economic Committee have held hearing after hearing on the crisis in New York, and witness after witness has made the same predictions. Yet, the response we get from the White House is a simple and righteous, "the city must pay for its sins."

Well, my colleagues, I will tell you as truthfully as I can that despite all the statistics being furnished by the Secretary of Treasury to show that city employees are being vastly overpaid, that no one works, that the benefits to citizens are the highest in the land—I will tell you my colleagues, it is no easy task living in New York City. It hasn't been what I would call fun for a long time now. Our citizens suffer under the highest tax burden in this Nation; New York City residents pay the highest State income taxes, the highest city income tax, the highest sales tax rate, highest real estate taxes, and water use rates and after paying to have sewers installed pay a sewer use tax, and added to all this, a $15 city annual auto use tax. They suffer under a horrendous crime rate; the city is plagued by the largest concentration of narcotics addicts, pushers and dealers in the Nation; our mass transit system has been

so starved for dollars that it is deteriorating before our eyes, and we suffer from clogged roads, foul air, inflated prices. Please do not tell us how good we have been having it for so long; if we had it any better, we would break under the strain.

There are valid reasons why this Nation should not let any city, whether it be as large and nationally important as New York or as small and nationally important as a small farm village, run the danger of being unable to function. We need not take the risk of violence which could accompany default. We need not increase the economic uncertainty that already exists in our stock and bond markets. We need not subject millions of people to the fear that their livelihood, which depends upon a viable city, will be taken away needlessly.

My colleagues who are with me today will speak to the morality of such a policy. My own view is that we have gone beyond that. The Congress, receiving no assistance or guidance from the executive branch, must decide on its own what to do about this grave national problem. The Congress must decide, not by how some might view the city from their vantage point, but how the world views the Congress of the United States. We must act, and act promptly, not because it is in the interests of New York to have action, but because it is in the national interest for the Congress to save the financial capital of our Nation—perhaps the world—from becoming an impossible place to live and work.

This Nation provides assistance to other nations because it is in the self-interest of the United States to do so. With an international community in New York City, with the headquarters of major international companies located in New York City, it is also in the self-interest of the United States to save that city.

Let me say to you that if the Congress lets New York default, it may have exercised a successful coalition of provincialism that will prove as costly to the Nation as our earlier prejudices have been.

We will find that credit becomes increasingly difficult for small businessmen and farmers to get when it is needed. We will find our financial institutions suffering from a fallout as severe as if the atmosphere contained atomic contamination. We will find nations that had looked to the United States for moral leadership will reappraise their positions; they certainly will question the will of the United States to care for the weak and enfeebled. We will send this Nation back through another traumatic period of contention over what cities ought to do for their people: How much will a city do, and for whom? And if the ripple effect is as great as many distinguished people have testified that it might be, other cities, blameless but unable to get credit on their own, will be sent to the same fate that we have decreed for New York.

And if I might be accused of overstating the case, let me say that none of us knows how severe the reaction to a city default might be. We are not talking about the default of just any city. Whether we like it or not, New York City, by virtue of its size, its importance to the world's financial and media markets, is special. And no matter how we arrive at the conclusion that the city is financially depleted, we have no choice but to treat the patient first.

Banking institutions provided the traditional source for the city's capital demands and in return have become the principal holders of New York City's obligations. The Federal Deposit Insurance Corporation alone has indicated that 271 of its insured banks, in nearly every State of the Union, have 20 percent or more of their reserves invested in New York City obligations. Fifty-six of these banks have 50 percent or more of their reserves in such investments. Further, I am advised that 153 national banks have likewise invested substantial amounts of their reserves in New York City obligations. Logic would indicate that a city default will have a severely adverse impact on these institutions. The effect of this impact may well precipitate a change in lending policies, especially regarding marginal small business borrowers, and, in addition, may decrease participation by such lending institutions in SBA's guarantee loan program. It has been our consistent experience that during times of tight credit, banks usually lend on a short-term basis and then only to their largest and best customers.

The Federal investment in small business consists of far more than lending programs. There are procurement assistance programs geared to assist small business in general, and small business owned by the socially or economically disadvantaged. Many small contractors who are involved in such programs in this Federal region also perform work for the city of New York. The recent fiscal crisis of the city has resulted in seriously delayed payments by the city to such small concerns. This situation may have the effect of forcing these businesses into an extremely perilous financial situation. The Federal investment, which can be quite substantial in some cases, is therefore once again in jeopardy.

It must be noted that the default of any multibillion dollar borrower in our already overstressed economy will have grave national consequences. Whatever the factors are which may have contributed to the city's present financial crisis, the country can ill afford to sustain further injury to its free enterprise system. A philosophy of regional isolationism, proclaimed by the highest levels of this Government, is not commensurate with modern concepts of federalism or plain economic sense.

We who support legislation to help the city realize that the Congress must include safeguards so that the conditions that led to this point cannot occur again. We believe that strict limitations should be imposed for the length of any Federal help so that the city, once saved, cannot again begin those practices which led to this. We believe, however, that we must also begin a dialog of what we, the Federal Government, can do to ease the plight of cities—not just New York—in coping with the mandates of the Federal Government. We in the Congress have instructed cities to spend dollars on any number of programs we have felt were essential to the national good, but we have not always fully considered what impact these programs could have on city budgets. We must do so immediately. The League of Cities and the National Conference of Mayors have testified that a number of major cities find themselves close to the problem faced by New York today.

As we move to aid New York, we cannot afford to not consider those other cities, and remember that we must set up a mechanism that will help any municipality that finds itself unable to continue. It does seem incredible to me that we would allow this endless debate to continue on and on while any city hovers near the brink.

The sheer size of New York provides many within Congress with doubts as we speak here today. We talk about billions rather than millions when we discuss the city's budget. We talk about billions rather than millions when we discuss the extent of aid required to save New York. We talk of complicated and interlocking causes and effects, and many—it is clear—would rather close their ears than listen to the cries of pain.

Well, I am from New York and mine is among those crying in pain. I freely admit that I have a very personal stake in saving New York. But it would be tragic if this Nation did not respond to the obviously very real plight of 8 million people. It would be tragic if this Congress did not respond to a call for help from one of its own. It would be tragic if this great city—to many around the world the very symbol of America—were to be left to swing slowly in the wind by an uncaring government.

I don't think that will happen. I have served in this body for a long time now, and I believe in the common decency of those who serve with me.

I believe that those Members who come from other parts of the Nation, from rural areas and the mountain areas and the Western deserts and the Southern States—I believe those Members are fully capable of acting in the national interest. I believe that many who personally do not care for large cities, for those who are offended by what they regard as New York brashness or aggressiveness will put aside their feelings and act in the national good.

We need not bail out officials who have brought the greatest city in America to its knees. We need not excuse or overlook inefficiency or shoddy leadership whatever its source. Let the Congress lay bare the excesses and move to insure to the people that they cannot happen again. But let the Congress also insure that stability is achieved where it is badly needed; let the Congress provide the legislation that will repair the damage already done and create a pattern for the future that will restore the jewel in our own crown of cities to its former luster.

I am convinced that if we fail to act the world will decide the American leaders

have gone mad, biting their own body to spite themselves. At a time when we face an uncertain world outside our shores, we cannot provide our enemies with another weapon to use against us. This Nation stands for much throughout the world to countless millions of people. We must show that we care for our own as well. We must demonstrate our moral leadership is as real as it is political.

Mr. Speaker, this past Friday, October 24, as chairman of the Subcommittee in Small Business Administration Oversight, I held hearings in New York on the question of how a default by New York City would affect small business.

For the information of my colleagues I would like to quote from some of the statements of those testifying before the committee on the national impact of a New York City default.

I quote from the testimony of the Honorable Mr. Eisenpreis, New York City Economic Development Administration:

"In the event of default, local savings banks would be adversely affected. Families facing loss of employment or delay in bond dividends would be forced to withdraw savings from their banks, in order to pay for day-to-day living expenses. Many banks have City bonds in their holdings, of course.

The City's construction business, already a depressed industry, faces severe setbacks. Just this week, nearly $400 million in planned projects were dropped from the municipal budget. This will cause 8,000 additional layoffs in an area of our economy that has already lost more than 27,000 jobs, with an annual payroll of $400 million, during the past two years.

Of particular concern to the small operator in the construction industry, is the fact that performance bonds, required for governmental and many private projects, are often posted in City Bonds. I am informed that default could cause the performance bonds to become null and void. The ramifications of this situation on the already hard hit construction business, especially for small operators, are almost beyond imagining. Some means for providing Federal backing or insurance for such performance bonds is urgently needed.

Default of the City's bonds would also have an effect on overall credit availability for small businessmen. Many of our local banks have large holdings in City bonds. A default could cause them to shut off the flow of loans normally available to small business. This would only add to an already horrendous situation.

In line with this, I should note a point that I am sure is known to everyone here. When we speak about the negative effects of default on small businessmen, we have to realize that the minority business person is in even greater difficulty. More than anyone else, the minority businessman, is affected by the lack of credit; the shortened cash flow; the lack of access to capital funding. Many minority businesses operate in areas of the City that are the first to feel the pinch of the recession, where unemployment is three or four times the City average. For these people, default could be a death knell."

Whatever the specifics of default by the City, there would be an obvious impact on the banks. To the extent that they are holding City and State paper, the lending capacity of banks will be reduced. This raises the spectre of a credit crunch much more severe than any we have seen even in the recent past. It is true that there has been indication from the Federal Reserve Board of some relief for the banks, but the nature of this relief is still uncertain and ambiguous. Other lending institutions will also be subject to severe difficulties in the face of a City default. Even at the State level, for example, the Job Development Authority, established in 1961, has already been affected. The Job Development Authority, from 1962 to the present, has made loans, the majority of which went to small businesses, totaling $98.5 million. But the Job Development Authority already had difficulties due to other related causes, in floating paper at reasonable interest rates. The depressing effect upon financial markets of a City default will ensure continued difficulties for the Job Development Authority, as well as other public lenders.

The upshot of these effects will be to restrict lending by banks and other financial institutions, not only to the City and State, but to the private sector as well. In this event, as always in the past, small businesses will be the heaviest losers from a credit crunch. Thus, small businesses, both as supplier to the City and as borrower from the banks, will be in double jeopardy.

Now here I should point out that it is not only small businesses in New York City that we are talking about, or even in the State; it is not only the large businesses with large contracts with the City this year; it is also small businesses outside New York that have contracts with New York City. Indeed, the City's strict bidding procedures whereby the lowest bidder gets the contract whether they are in San Diego or Miami assures that small businesses throughout the country will be adversely affected.

We should not assume for the moment that the impact of default will be confined to those dealing directly with the City. Suppliers to the City have their own suppliers in turn; people who receive wages and other payments are consumers as well. The spread of such depressing economic effects is well understood at the national level; it clearly operates at the City level as well.

Finally, but of no less importance, is the effect that default would have on minority enterprise. Minorities are nearly always the last hired and the first fired. It is easy to believe that what is true of minority employment will be true of minority enterprise as well, especially with respect to the availability of bank credit in a crisis market. We may, therefore, see an inordinately high incidence of minority business failure, thus jeopardizing the painful progress we have been making in recent years in this vital area.

Robert F. Lathlaen, president, General Building Contractors of New York State, Inc:

As the Chairman and Members of the Subcommittee know, monies to finance most public construction have been raised, until recently, in the commercial money markets. Access to this market is precluded for many of our clients, although financially viable and self-supporting, because of the fiscal difficulties experienced by the City of New York and the concomitant difficulties now experienced by the State of New York. The prospects for a build-out of the construction now under contract appear to be slim and the possibility of immediate cancellation or abrogation of contracts real.

Given such abrogation or cancellation without approprate notice, the contract construction industry in this State will not survive. A contractor is dependent on the proceeds from each requisition for payment. Taken together with retainages held as a guarantee of performance (in addition to required performance and payment bonds), requisitions for payment constitute the net worth of many contractors. Any delay in payment, any lengthy holdback of retainages due on completion, will bankrupt construction contractors. Requisitions for payment are reimbursement for monies expended in the supply of skilled labor and materials. If such requisitions are not honored, there is no way a contractor can expect to reimburse labor for future services rendered. Nor can vendors, suppliers, manufacturers expect prompt payment. Such payment very well could depend on the results of litigation between contractor and client with the surety a very interested party.

The magnitude of contractor financial exposure in the current fiscal crisis is made clear by the result of a recent survey undertaken by this Association to which, thus far, one-third of the Membership has responded. By multiplying the raw data by four times to insure consideration of the exposure of the balance of the Membership, the highway, pipeline (utility), and heavy construction industry, we arrive at these data:

1. Amount of work now under contract: $5 to $6 billion.

2. Amount retained by public owners (normally 5% of payment requisitions): $250 million.

3. Amount of municipal bonds substituted for retainage (Section 106, General Municipal Law. Section 139, State Finance Law): $200 million.

4. Amount of N.Y. City Bonds included in total of 3: $100 million.

Employed on the public and quasi-public projects valued in excess of $5 billion are approximately 150,000 building tradesmen. Statisticians estimate each on-site building tradesman required the support of 6 off-site service and supply employees. Thus, given a curtailment of funds available to the projects covered by this Association's survey some 900,000 jobs will be at stake.

Reactions to the plight of the City and State from those outside New York have hardly been sympathetic. Such a reaction by the rest of the country can only be termed short-sighted and provincial. The majority of the public construction in the United States is financed in whole or in part through the commercial money markets. The present crisis and a default by the City could, at the minimum, result in higher interest rates for municipalities throughout the United States, and, at the maximum, cause a major, if not total, collapse of the tax-exempt bond market. We fear the latter will be the rule rather than the exception in New York State. Furthermore, because the construction industry is such a large segment of the gross national product a default leading to the death of New York's construction industry could be a severe jolt to the nation's economy. The flow of goods manufactured outside the State, but incorporated into construction projects within the State could halt. Given the significant role New York's economy plays in the national economy such a disruption of interstate commerce could be devastating.

Charlie L. Dean, Jr., Acting Regional Director, Region II, U.S. Small Business Administration:

1. As you know, the SBA's most valuable financial assistance program to small business men and women is its bank guarantee program. During the fiscal year which ended June 30, 1975, SBA approved a total of 681 loans for $50,138,312 to small businesses in the five boroughs of New York City. Ninety percent of these loans were made through the bank guarantee program. Almost every bank in New York City participates in this guarantee program, and it's possible that, should the City default, banks holding large amounts of New York City bonds and notes would have limited liquidity and be unable to continue participation in the SBA program.

2. Since small businesses in New York City have already begun to feel the effects of the reduction in capital outlay by the City for all types of goods and services, we know this effect would be magnified by a default.

3. Should default occur, we expect that more city employees would lose their jobs, and therefore there would be less money in

the economy and less buying power to be spent in small businesses.

* * * * *

5. The SBA New York District Office has a total portfolio of approximately 6,000 loans for $225 million. As of August 31, 1975, 12.4% of those loans were delinquent. Should a City default occur, we would have every reason to expect this rate might increase. To date, Mr. Chairman, none of our borrowers have given the City's shaky economic condition as a reason for slow repayment.

Evidence establishes distinct possibility of national depression if city defaults.

We cannot predict the effects of such a default with mathematical certainty since this situation is unique in our country's history.

But, certain things are known to us now:

First. Our economy is weak; and

Second. A default will definitely worsen it.

The question, therefore, is whether Congress wants to take a chance with this country's economic well-being.

Any Member who votes against helping the city must be labeled as a speculator with this Nation's economy.

Whatever the cause of the present situation, we cannot place punitive and vindictive measures, regardless of how politically attractive they may be to some, above our responsibility to ensure an orderly and healthy economic system.

I include the following:

SPECIAL SURVEY OF NEW YORK CITY OBLIGATIONS

TOTAL U.S. FDIC INSURED BANKS HAVING CURRENT BOOK VALUE HOLDINGS

50 States and District of Columbia	Of New York City obligations as a percent of capital and reserves of— 20 to 50 percent	50 to 70 percent	Over 70 percent	Total
Alabama	17	1	1	19
Alaska				
Arizona				
Arkansas	14	7	2	23
California				
Colorado	3			3
Connecticut	1			1
Delaware				
District of Columbia		1		1
Florida	24	1	5	30
Georgia	1	2		3
Hawaii				
Idaho	1			1
Illinois	23	4	2	29
Indiana	1			1
Iowa				
Kansas	8	1		9
Kentucky	1			1
Louisiana	12	2		14
Maine				
Maryland	1		1	2
Massachusetts	1			1
Michigan		2	1	3
Minnesota	1			1
Mississippi	7		1	8
Missouri	19	5	3	27
Montana				
Nebraska	4			4
Nevada				
New Hampshire	1			1
New Jersey				
New Mexico				
New York	9	3	3	15
North Carolina	1			1
North Dakota	3	3		6
Ohio				
Oklahoma	2			2
Oregon				
Pennsylvania	3			3
Rhode Island				
South Carolina	1			1
South Dakota	3			3
Tennessee	22	1		23
Texas	18	1	1	20
Utah				
Vermont				
Virginia	1	1		2
Washington	2			2
West Virginia	7	1		8
Wisconsin	2			2
Wyoming				
Other areas				
Guam				
Puerto Rico	1			1
Virgin Islands				
Total	215	36	20	271

MORE ON THE FINANCIAL CRISIS OF NEW YORK CITY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. BIAGGI) is recognized for 60 minutes.

Mr. BIAGGI. Mr. Speaker, we are getting near the zero hour, and we are all somewhat fatigued after hearing the arguments that have been made. There are some pros and there are some cons; there are also some doubts on this matter in the House, as well as throughout the Nation. But the baffling thing is the attitude toward New York.

At least the way it was 6 months ago in this House, when we spoke about the conditions the city was involved in, it seemed to be a hopeless matter insofar as the response of Members was concerned.

Obviously, however, the work of the New York delegation on a bipartisan basis has produced some response. The other Members are listening. People are listening throughout the country. The banks of the Nation have become involved, and happily so. Their introduction, in my judgment, would probably be the single most important factor in having legislation move along as far as it has up to this point.

Mr. Speaker, they recognize full well the impact of a default of the city of New York. The bond market has been closed. The inability of city and State to borrow money in the ordinary process of business is producing a terrible effect.

With the default of New York City, New York State stands ready to go 3 or 4 months thereafter. The same bond market has been denied the State of New York.

The question is, Why the hostility toward New York City? Is it simply because they are the biggest guy on the block, or is it because of the reputation that it has seemed to earn in providing too many benefits to too many people at a cost they could not afford?

Is it the question of excess welfare payments, even to those undeserving individuals who are the recipients of these welfare payments? Is it the abuse of high salaries, fancy pensions, needless jobs, excess provisionals, administration after administration that seemed to have no fiduciary sense in the process of administering the affairs of the city of New York?

Whichever it may be, there may be some foundation to assume that the net result is that New York is in a crisis stage. New York today, however, is not what New York was 6 months ago. The mechanism that has set fiscal control has been wrested from the city fathers.

Item after item is being red-penciled in the budget. We are programed for a balanced budget. We are even programed for a surplus. What is necessary is the ability to borrow money.

We from New York do not ask for a bailout. We do not ask for the Federal Government to provide one single dollar. We simply ask for a loan guarantee.

Couple that with the existing mechanism of the Emergency Finance and Control Board, and we will have responsible government.

Mr. Speaker, I am confident that if this administration provides the necessary loan guarantee, without onerous taxes, the fiscal situation of the city of New York will be resolved.

There has been talk about the rippling effect. The effect will not be rippling; it will be cascading. We have witnessed it already in illustration after illustration. The interest on the bonds has increased substantially and inordinately. The bond market has closed in areas where they have stable government and balanced budgets.

The effect of a defaulting New York has international application, if not universal.

Let us address ourselves, however, to something that is down to the level of the people, something which most people understand. The fiscal problem, for the most part, escapes the full comprehension of people, some 8 million of them in the city of New York and 200 million throughout the country. They quickly dismiss the problems of our city by a statement such as this one: "Let them go into default. The devil with them. They have had it too good too long."

They say that without giving it much thought. The thoughtful people, however—and many of them are in this House—notwithstanding the reaction of their constituencies, our thoughtful colleagues realize the essential quality of this legislation and how important it is.

Let us talk in terms of New York for just a little bit. We saw something happen very dramatically and something that I never thought I would see in my time.

We saw the dismissal of civil servants, nonprovisionals, civil servants, people who had every right to believe that once they were engaged they could continue in their chosen career path and complete their service if they performed their job well and be eligible for retirement. But they were dismissed for lack of funds. This was done not after 6 months or 1 year but after 5, 6, 10, and 14 years of service—1 day a pink slip, a notice of termination. Well, that does not sound too good. Some say firing people is something you look for in statistics but I always reduce it to the No. 1, the one person who may have a mortgage on his house, a payment to be made on a car, tuition to be paid for his children, commitments that have been made in contemplation of continued work and ultimate retirement and then suddenly the rug is pulled out from under them. This happened to tens of thousands of these civil servants in the city of New York and it should never have occurred but the fact is that it did.

Some of these people are involved in emergency services, sanitation, fire, and police services and when you reduce the sanitation force in the city of New York you really expose the people there to not only dirty streets and dirty buildings, but to health hazards. It is one thing to talk about this from a remote and rather sanitary location such as we are in this evening, but it is another thing to witness it every day. When you talk about this in terms of the greatest city in the world it is a sad commentary.

Then the closing of firehouses. This places the people of the city of New York in an extraordinary peril, and admittedly it is extraordinary. I spoke to the fire commissioner this morning and he was just instructed that he had to cut $8.3 million off the job irrespective of the area. He can cut it by closing firehouses.

This is playing roulette with the lives of the people of New York.

Take our school crossing guards who are so essential for the safety of our children going and coming from school every day, they have been removed. I predict that many children will be injured and possibly killed. Then will come the crocodile tears. Then will come the wails which will come from people in public life and the wails which will come from people all over the country if it touches them or reaches them, that this is wrong and should not have been done and it is a false economy.

But when we cut, as we do, in the citadel of computers and accountants the human element is removed.

Last but not least when you dismiss thousands of police officers and there are more to be dismissed in the future, exposing the senior citizens and the entire community to extraordinary peril absent the protection of the law enforcement officials. These are some of the areas, also education and the like, they all fall into the total picture. These are some of the shortcomings as a consequence of the bad fiscal situation in the State of New York.

What surprises me and happily so is that initially the Vice President of the United States was most vociferous in his opposition to providing any aid then suddenly he reversed himself. Well, we are happy at his reversal and I would suggest that he use his influence on the President of the United States and the administration in supporting some meaningful legislation.

I understand tomorrow the President is going to speak at a luncheon and deliver a major speech in connection with the city of New York.

I sincerely hope the movement he has seen in the House and the movement that seems to manifest itself every day in increasing quantities in the newspapers throughout the Nation, find its way into his thinking and into the thinking of his confidants.

When we talk in terms of the city of New York, we are really talking in terms of saving the Nation, because absent positive action on the part of this Congress and the President of the United States by his signature, I fear the outcome not simply for New York but for all of the people of this Nation.

The SPEAKER pro tempore. The time of the gentleman has expired.

Under a previous order of the House, the gentleman from New York (Mr. RANGEL) is recognized for 60 minutes.

Mr. RANGEL. Mr. Speaker, all of us watching the events unfold in New York City realize that the city's financial crisis is not an isolated phenomenon. New York City, one of the most resourceful cities of this country, is on the brink of financial chaos. Other cities and towns will soon follow as the economic picture of the Nation generally and New York specifically continues to remain uncertain. Decisive action is needed now to put New York back on its feet as a leader of economic and cultural progress.

It distresses me to know that there are those who take pleasure in the financial problems that the city faces. The fact that the "Big Apple" may go under does not seem to bother them in the least. To these people I ask them to think of the consequences of a default by the city.

What will happen to the elderly, the sick, the needy, and the rest of the 7 million people living in the city when there are no more funds to pay for these municipal services? Should we let the city suffer through untold social unrest because it was willing to provide a free university system, a mass transit system to get its people to work and other services which help to improve the quality of life for New Yorkers, and finds now that it can no longer afford to grant these services? I believe that a city which provides these services to its people should be congratulated and not condemned. I believe also that when the Federal Government devises a welfare system which encourages the poor in other parts of the Nation to come to New York because of the latter's higher benefit levels, then the Federal Government has an obligation to provide emergency assistance to that city when it runs into financial difficulty because of such inadequacies in Federal programs.

The President tells the mayor and the Governor that this is a local matter and that therefore the Federal Government cannot step in. He and his administrators, particularly Treasury Secretary William Simon take the position that the city must take the necessary austerity measures that will relieve the economic uncertainty in the city. I would maintain that the city has already made the cuts, many more than I would have liked to have seen which would indicate our intentions to reduce spending, thus decrease the amount of assistance we would require from the Federal Government. Just let me take a couple of minutes to list the major cutbacks that have been made.

The city's payroll has been reduced by some 31,000 people, some through layoffs and others by attrition. This reduction in city employees has been estimated to save the city $310 million. Needless to say, as a result of these cutbacks the people have seen a decrease in such essential services as police and fire protection, sanitation, health and hospitals, to name just a few.

In the area of education, the mayor has been forced to close 7 schools, with the possibility that 13 more may be shut down. Class size has been drastically increased while the numbers of teachers in the classroom have been decreased by 18 percent. Security problems in the schools have increased as a result of the decrease in the number of security personnel. The education of our children would be an impossibility if any further cuts were made in this field.

Virtually all new city construction projects have been halted. Only those projects which the city was legally committed to and which are most essential will be continued. The city has for the most part withdrawn from financial activities related to housing at a time when the city's net housing deficit has been placed at 100,000 units.

Finally the mass transit fare has been increased to 50 cents. Subway service has been reduced during nonrush hours. The fees on the Staten Island Ferry have been increased. To the poor and struggling middle class in New York, these increases will prove to further add stress to their already strained personal budget.

The city has made the hard decisions as these cutbacks would indicate. To go further would greatly impair the health and welfare of the city. All that the city and State officials are asking is that the Federal Government attack New York city's fiscal problems with the same vigor that we come to the aid of countries throughout the world. Moral responsibility must begin at home if it is going to mean anything abroad.

The city has agreed that mismanagement has occurred. It has attempted to correct this problem. For the Federal Government not to step in now would be the latter's way of punishing New York for past sins. I do not believe that the Government should engage in this type of punitive action to prove a point. Instead the Government should grant the emergency assistance that is necessary to restore the city to solvency and then devise specific controls to insure that the city does not overextend itself again.

As the people's representatives, we have a duty to act immediately during this crisis. If the President refuses to act responsibly on this issue, then the Congress must chart the proper course. This is no time for parochial interests to divide us. Time is rapidly running out. Today's default in New York City will most assuredly be felt in the great small towns across this Nation. We can avoid the social and financial chaos that would ensue should a default occur. The issue has been discussed at length and most all agree that some type of Federal action is necessary. I urge my colleagues on the appropriate committees to adopt legislation that would aid New York and the Nation, so that the House and Senate can vote quickly on this matter. To not act in this situation would indeed prove catastrophic.

NEW YORK NEEDS FEDERAL BOND SUPPORT

The SPEAKER pro tempore. Under a previous order of the House, the gentle-

man from New York (Mr. BADILLO) is recognized for 60 minutes.

Mr. BADILLO. Mr. Speaker, I yield to my colleague, the gentleman from New York (Mr. McHUGH).

Mr. McHUGH. Mr. Speaker, I appreciate the opportunity which has been provided to discuss in a responsible way the situation which prevails in New York City. Unfortunately, not all discussion to date has been responsible, and I am afraid there will be further debate here and throughout the country which will not do justice to the crisis. Perhaps today's discussion will provide, at least for this House, the first step in developing a climate of good sense and rational consideration which the subject requires.

As you know, Mr. Speaker, I am privileged to represent a district in upstate New York. The people of my area have not participated in the business of New York City, and certainly over the years they have often viewed the city as spendthrift and unwise in the management of its affairs. And, as we now realize, they were correct in their assessment. The city has been overindulgent in many ways. There has indeed been mismanagement.

This fact is taken by many to be the only one of significance. New York, they say, is responsible for its plight and should be made to pay the price. Absolute justice, no doubt fueled in some cases by purely partisan considerations, seems to be their sole goal. To be sure, blame can be assessed. There is plenty to go around. A series of Democratic mayors should have a share; and also a Republican Governor who has since moved on to higher office; and of course there are the unions and the banks.

But, Mr. Speaker, surely we do not sit in this Chamber as a body of prosecutors. Clearly, we are here to represent the public interest, to do what is necessary for America under the present circumstances. Even assuming "guilt" on the part of all 8 million people now residing in the city, which of course is a flawed assumption, our responsibility is not to mete out punishment but to act in the Nation's interest.

Upstate New Yorkers, no less than Americans in other parts of our country, do not relish involvement in the affairs of New York City. But many of us have begun to appreciate, if we had not before done so, that this city is not an alien land; that its problems are our problems; that its financial distress is ours; that we have more in common with our neighbors to the south than the fact that we pay taxes to the same State capital.

In my own 27th District of New York, for example, many important projects are threatened as a direct result of this fiscal crisis. In one county a hospital in mid-construction is in danger because the State's credit has been affected and it cannot meet a prior commitment to share in the cost of construction. In another county two quite solvent villages cannot sell enough bonds to proceed with their sewer projects. And in a third county, plans to construct university buildings have been abandoned.

The idea that our municipalities and our credit will be untouched by this situation is fast being dispelled. I understand that next spring the State of New York will have to borrow $2.5 billion in tax anticipation notes. Between now and then the local governments in our State—other than New York City—will have to sell more than a billion dollars in bonds. It is evident that if investor confidence is not bolstered, most of these offerings will go unsold. The State, we are advised, will follow the city into default.

Surely we cannot pretend that these developments are merely matters of local concern, that they have no significance for the Nation. Already we observe that municipalities in other parts of our country are paying substantially higher interest rates in order to attract investors. And this is prior to any default! The municipal bond market cannot be insulated from the developments now taking place, nor can we anticipate that traumatic repercussions will not be felt if our most important city fails to meet its obligations.

Mr. Speaker, I do not want to contribute to a climate of fear or apprehension. That would be as bad as the flippant remarks of those who call for the city's demise regardless of the consequences. However, those consequences must be considered. If there is a default, the implications are not just financial. What of the psychological impact upon the residents of New York, upon the country as a whole, and indeed upon the world community? The Prime Minister of West Germany recently referred to this as a major consideration.

What also of the further erosion of confidence of our citizens in their governments? Here we have the second most important government in this country unable to meet its commitments. What will that do to the average citizen's belief in his Government's reliability—any government's reliability? I cannot measure these things, Mr. Speaker, but surely they bear some relevance to the issue before us.

What also of the health and safety of 8 million Americans in the event of default? Who will provide for their essential services—for their police and fire protection, for their garbage collection? We are told that without investor support New York City cannot meet its obligations in this fundamental respect. Who will pay? The Federal Government? I cannot believe we could stand idly by in the face of social collapse. We have shown more compassion for other nations, other peoples in distress, and to this day continue to do so.

Mr. Speaker, I do not rise today to offer a well developed legislative response to the crisis which confronts us. Fortunately we have a distinguished subcommittee of this House now considering the question and that is the best forum for a careful consideration of the alternatives. As you know, there are a number of proposals which have promise, including a Federal guarantee of municipal bonds tied to a series of stringent conditions designed to impose upon a recipient fiscal responsibility.

The point I wish to stress is that we are facing not a parochial problem, but one of truly national proportions. I sincerely hope that we in the House, and indeed all Americans, will see it in this light as we proceed with our deliberations.

Mr. BADILLO. I thank the gentleman from New York (Mr. McHUGH) for this excellent statement and his helpful contribution.

I want to say we welcome the contribution of every Member of this House.

GENERAL LEAVE

To that end, Mr. Speaker, I ask unanimous consent that all Members may have legislative days in which to address themselves to the subject of this special order, and to include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York (Mr. BADILLO)?

There was no objection.

Mr. BADILLO. Mr. Speaker, I have introduced under the general leave I just secured a statement from my colleague, the gentlewoman from New York (Ms. ABZUG) who could not be present today because of a death in the family.

I also introduce at this point an article that appeared in the New York Times this past Monday, dealing with the cuts in the capital budget of New York City. This is introduced in further response to the specifics my colleague, the gentleman from Maryland, had sought about the efforts New York City has made and is making to meet the immediate crisis.

Mr. Speaker, the article is as follows:

CITY FISCAL CRISIS FEEDS ON ITSELF

(By Michael Sterne)

In a new illustration of the old business adage that "you have to spend money to make money," New York City is finding that money it hasn't got and can't borrow is imperiling such revenue-producing projects as piers, markets, industrial parks and shopping centers.

These capital projects would create at least 22,000 new jobs for the city's 385,000 unemployed and pour millions of dollars of new income into its empty treasury, but the fiscal crisis is preventing Mayor Beame from raising the $54.7 million needed to further them this year.

Among the endangered projects are a fish market and a deep-water cargo facility for the Hunts Point Food Processing and Distribution Center in the Bronx, the Elmhurst Dairy expansion in Jamaica, Queens, and the Red Hook Containerport in Brooklyn.

Acting on last week's order from the Emergency Financial Control Board to cut already reduced capital spending by a further $392 million, members of the Mayor's fiscal committee now are reviewing all capital programs with the expectation that they will have to eliminate even some of the self-liquidating projects that, in effect, cost nothing.

These are projects that will bring in more than enough in rents to cover their debt-service costs, and substantial new revenues from the enhanced real-estate values they will create, but the city is unable to borrow the "front money" to get them started.

"The cuts are going deeper and deeper and we are really in the crazy kind of situation where we may be losing $100 in revenues because we can't afford to spend $20," said Alfred E. Eisenpreis, the city's Economic Development Administrator.

Moreover, if the projects are long delayed,

the strategy for slowing New York's economic decline, which has cost the city more than 500,000 jobs since 1969 and sent its unemployment rate soaring to the 12 per cent level this year, may collapse. The projects are designed to be strongpoints around which new private enterprises and new jobs can be developed.

Already, one of the keystone projects in the strategy has been put into what John E. Zuccotti, chairman of the City Planning Commission, has called "a holding pattern." This is the West Side Convention and Exhibition Center, which was to promote the hotel, restaurant, entertainment, and tourist industries into a new burst of activity resulting in 25,000 new jobs.

Last week, responding to an earlier order from the control board to reduce capital expenditures, the city rescinded $37-million of a $50-million appropriation to get the center started. Its prospects now are doubtful.

The Mayor originally proposed spending $1.8-billion for capital projects. The control board first ordered this sum cut to $1.6-billion. Then, last Monday, it ordered a further cut of $392-million.

Ordinarily, the priorities for capital spending emerge after months of lobbying by neighborhood and special-interest groups and a series of often-acrimonious public hearings. Now this process is going on behind closed doors and is being telescoped into just a few days.

The new cuts put in danger 11 other projects that Mr. Eisenpreis and his aides believe to be essential if the city is to make even limited progress in stopping New York's job erosion. How many of the 11 will have to be dropped is still in doubt, but Mr. Eisenpreis says delaying any of them is "the worst kind of economizing because it would undermine the city's potential to grow."

This view is shared by Mr. Zuccotti, who said he was less concerned with the city's immediate cash flow problem than with where New York will be 10 or 15 years from now. Commenting on what the money cuts are doing to the city's spending—priorities that formerly put regeneration and job creation at the top of the list—Mr. Zuccotti said:

"All the ground rules are changing and we have to reexamine the goals of government intervention in the economic-development area. In this year, many cities, particularly the one-industry manufacturing cities, have become economically irrelevant.

"This has not happened to New York, or Chicago, or San Francisco. But as we work our way out of this crisis, I, as the City Planning Commissioner, have to think beyond today's problems to ask: Whither goest thou, New York City?"

For that reason, he said, he would urge the Mayor's fiscal committee to retain the Red Hook containerport and other job-generating projects, even if that meant sacrificing schools and fire stations.

Mr. Zuccotti said he had not yet been able to develop new proposals that would allow the city to continue building its economy in a time of capital stringency, but he is urgently trying to create such proposals. Mr. Eisenpreis is engaged in a similar effort.

Sidney J. Frigand, the Mayor's press secretary, said that Mr. Beame had not changed his view that projects that create jobs were the most important ones to be furthered by the city. "As a matter of principle, his stand hasn't changed," Mr. Frigand said, "but the cuts are getting to the point where considerations of health and safety may have to take precedence."

Among the "health and safety" projects he cited were the third water tunnel now under construction to assure the city's water supply and several schools that were more than 70 per cent completed and that would permit the closing of nonfireproof schools.

Mr. Frigand said the fiscal committee, which includes four Deputy Mayors as well as Mr. Beame and Mr. Zuccotti, hopes to complete the job of trimming the capital budget by next weekend.

HOPES ARE INVOLVED

The task is more than a matter of deciding who should get what. For many projects already in construction, the city has signed binding contracts and canceling them would involve heavy penalties. Moreover, for some of the economic-development projects, delay may mean a loss of interest by the private companies that would use the facilities and the transfer of those companies' jobs outside the city.

Also at stake are the hopes of thousands of residents of such depressed areas as the South Bronx to escape poverty. There, in the near-derelict Harlem River yards of the Penn Central Railroad, an Italian developer named Renzo Zingone has proposed creating two million square feet of new factory space in which a minimum of 2,000 people could be employed.

The city's role in this plan would be to condemn the land, acquire it from the railroad, and put in streets, sewers and other public facilities. The cost would be $14-million to $18-million, with $10-million needed this fiscal year to buy the land. All of this investment would be recovered through rent charged on the land and the new facilities.

If the city can proceed with its part of the deal, Mr. Zingone has said he would be prepared to build the factories and to bring in industrial tenants from Europe who would employ city residents.

Mr. Eisenpreis, who has been advancing this project in 10 months of negotiations with Mr. Zingone, points out that the benefits would go far beyond the people employed directly in the factories.

"First," he said, "the city would get tax revenues from the factory tenants and from their workers. Then, for every worker employed there, two or three other jobs would be created elsewhere in the city. And these jobs, too, would create tax revenues for the city. The effects of such a project would be enormous."

On a smaller scale is a project in Jamaica, Queens, that would permit expansion of the Elmhurst Dairy, the city's largest, owned by Honeywell Farms, Inc. Honeywell is planning a $10-million investment that would add 200 workers to its dairy operations and 200 others in a new fresh-fruitjuice operation.

The city's part of this plan would be to condemn and buy a dozen small plots of land, close two streets and assist in the relocation of 11 small businesses employing a total of 49 workers that now occupy part of the needed land. The cost of the land acquisition would be $800,000.

Arthur L. Borut, director of research and policy coordination for the Economic Development Administration, said the land rent the city would charge Honeywell would cover the city's expense of borrowing and repaying the $800,000 completely.

"And, in addition," he said "we would get the benefits of all the economic activity and tax revenue to be produced by those 400 new jobs."

A similar point was made by George Ira Schulman, economist of the Department of Ports and Terminals, an agency of the Economic Development Administration. Mr. Schulman has prepared projections showing the "profitability" of the waterfront projects endangered by the capital-fund cutbacks.

In the case of the Columbia Sugar Refinery, the Columbia Sugar Company is planning the first new refinery to be built on the East Coast in 30 years, with piers, container facilities and belt conveyors on a Staten Island site. The city's investment would be $3.2-million, all of it to be repaid, with the interest costs, over a 30-year lease.

MAJOR PROJECTS ENDANGERED BY CAPITAL FUNDS CUTBACKS

Project	Total cost	Spent so far	Needed this year	Jobs created so far	Remaining job potential
Howland Hook Containership Terminal, Staten Island	$74,233,000	$59,000,000	$13,200,000	1,000	9,750
Hunts Point Food Processing and Distribution Center, Bronx	120,000,000	93,000,000	12,400,000	2,500	5,495
Northeast Marine Terminal, Brooklyn	76,000,000	29,500,000	6,300,000	1,000	850
Red Hook Containerport, Brooklyn	57,000,000	25,000,000	3,000,000	----------	1,350
Columbia Sugar Refinery, Staten Island	3,200,000	170,000	550,000	----------	312
Brooklyn Cooperative Meat Market	24,150,000	23,000,000	1,000,000	----------	(*700)
Elmhurst Dairy expansion, Jamaica, Queens	800,000	0	800,000	----------	400
Fordham Plaza, Shopping and Office Center, Bronx	4,500,000	0	3,000,000	----------	1,000
Spring Creek, Industrial Park, 1st phase, Brooklyn	1,000,000	0	1,000,000	----------	1,000
Zinzone Industrial Park, Bronx	18,000,000	0	10,000,000	----------	2,000
Zarega Avenue Industrial Park, Bronx	5,500,000	2,000,000	3,500,000	----------	500
Total	384,433,000	231,670,000	54,750,000	4,500	22,657

*Jobs to be kept in city by transfer from Fort Greene market.

Mr. Speaker, I want to say that we have discussed at great length the problems of the city, specifically how the city got into the situation it is in now; also the differences between the conditions that exist in New York City and the conditions that exist in other cities throughout the Nation and further the steps that the city has specifically taken to try to meet the crisis at the present time.

We have also discussed a bill that is called a Federal guarantee bill. I hope that nobody who is listening to us or who is reading what we have been saying in this special order comes to the conclusion that if such a bill is passed the problems of New York City will have been solved. When we speak of a Federal guarantee bill we are not talking about legislation that will solve the problems of New York City at all, but we are talking about legislation that will prevent default. That is the only effect that a Federal guarantee bill will have.

A Federal guarantee bill, if approved, will not bring one additional penny to New York City to relieve New York City

of the burden of the expenses that we have been discussing, expenses such as welfare, expenses such as the cost of higher education, expenses such as the cost of municipal hospitals, or the expenses of the cost of the courts which are paid for by New York City instead of by the State. None of these expenses will be in any way paid by any Federal guarantee bill and a Federal guarantee bill is not going to help to solve the budget crisis of the city.

We need the bill only so that we can prevent a default with the repercussions that will take place, not only in New York City, but throughout the country, repercussions which have been discussed again at great length here today; but if we should get the Federal guarantee bill, I hope that everyone will understand that then we will have to begin the serious steps to help the city of New York. Then we will have to introduce legislation to see to it that the disparity that exist at the present time between the amounts of money that New York City contributes to welfare and the amounts of money and other cities contribute to welfare, is resolved.

I hope that the Members understand that we will be introducing legislation designed to solve the urban crisis, not only in New York City, but in all the other cities throughout the Nation.

The immediate difficulty is the marketability of bonds. That can be cured by providing a guarantee of municipal bonds.

The fundamental difficulty is the failure to recognize that our urban centers have become the repository for the poor people of this country and that we have to make a special effort to see to it that we begin to deal with those problems, not only in New York City, but throughout the entire country. That is the long-range goal that we have to address ourselves to.

I hope that when we solve the immediate problem that we can begin thereafter to undertake the serious problems that remain in order to meet our long-range goals.

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

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

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

The gentleman is suggesting that the loan guarantee approach will be followed by subsequent legislation to solve the long-term problems of New York and other cities.

Mr. BADILLO. And other cities.

Mr. GRASSLEY. I presume that the solution will be found here in Washington, D.C., by a change in some Federal programs and by the implementation of new programs. I hope that while we are trying to solve the long-range problems of the cities of this country, that we do it on a pay-as-you-go basis, so that the country as a whole, the Federal Government, does not find itself in the same condition that New York City is finding itself in because year after year after year it spends more than it takes in.

Does the gentleman come to that approach in working out the long-term solutions of the problems of the cities in America, or does the gentleman intend to do it by deficit spending and borrowing, as has been the situation in the last 10 years in New York City?

Mr. BADILLO. No. I would say they would do it by providing the kind of programs that would enable us to improve the economy by providing the kind of addition to our tax laws that would enable them to have the additional income they need in this country so that we could provide the additional expenses.

The reason it is important that we approve the bond guarantee bill is because the problems of how we solve the urban crisis and how we do it in a financially sound manner are very complicated. It is going to take a long time to discuss them and debate them properly. If we are going to discuss and debate them properly we need to do it not in an atmosphere of crisis, but in an atmosphere that will permit that kind of debate. That is why we need to have the bond guarantee bill, so that we can begin to discuss how to have a financial program for the country, as well as for New York City.

Mr. GRASSLEY. Mr. Speaker, will the gentleman yield again?

Mr. BADILLO. I yield.

Mr. GRASSLEY. I would say there is some good comes from not only the debate that is going to come in the Congress in the future in this colloquy this evening in the New York situation generally, if we can get instilled in people's minds in this country that we do not, in fact, owe this debt to ourselves, as we have been told for the last 40 years; that, in fact, there is a day of reckoning and if there is a day of reckoning that, in fact, bad results come therefrom, as in the instance of New York City.

What is at stake here is changing the psychology, particularly the economic psychology, in this country; that it is no longer right to go into debt year after year and live well, if the gentleman will let me say it this way, at the expense of future generations.

That is the solution to all of this country's problems because the fact is, as proven in New York, there is a day of reckoning. There is a day when we have to meet these obligations, and the results are catastrophic if we do not. Those same catastrophic results will come to this country. If we can learn from this lesson, we have accomplished much by this debate.

Mr. BADILLO. Of course, New York City has been paying taxes all along, but I do agree with the gentleman that there are some people who have been living very well and there are some corporations that have been living very well and not making any contributions in the form of taxes to this country. We should take some action to see to it that they make a proper contribution. If they do, then we could reduce the deficit and at the same time take measures to assure that we could begin to improve the conditions that now exist. I think what is required is additional sacrifices and additional taxes, not just from New York City, but from the other segments of society as well.

Mr. GRASSLEY. I thank the gentleman.

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

Mr. BADILLO. I yield to my colleague from New York.

Mr. KOCH. Mr. Speaker, as we end this debate, on behalf of the New York delegation I want to thank the gentleman from Iowa (Mr. GRASSLEY) for his consideration in participating in this evening's discussion on New York's problem. Also, I want to thank the members of the staff and the Speaker pro tempore who is sitting with us tonight, the gentleman from California (Mr. MILLER).

It was not our intention to do anything other than to express in the best possible way in which we could the problems that are facing the city of New York, the State of New York, and the country as a whole. I want to thank those who participated in this debate.

Mr. BADILLO. I thank the gentleman.

Ms. ABZUG. Mr. Speaker, the continuing difficulties in obtaining agreement in Congress on an appropriate form of Federal assistance, and President Ford's apparently unswerving opposition to any aid for New York City, have brought our city closer than ever to default. The consequences of these months of uncertainty have already been profound:

First. Some have estimated that municipalities and States are already paying a total of $3 billion a year in additional interest charges as rates have risen up by a full 1 percent due to the crisis. In New York State, school bond issues are requiring an 11 percent interest rate; similar, though less extreme rates are reported all over the Nation.

Second. Chancellor Helmut Schmidt of West Germany and many other Europeans are convinced that officials of the Federal Government have underestimated the international repercussions of a New York City default. A taste of the future was provided on October 17, when the world's money markets stood still and held their breaths as a last-minute rescue effort was put together. If New York City, reguarded in other nations as our first city, defaults, the ultimate victim of the newest and greatest crisis in investor confidence will be the United States.

Third. Federal Reserve Chairman Arthur Burns has warned that default could affect the Nation's recovery. Prof. Otto Eckstein, former member of the President's Council on Economic Advisors, testified last week that the total cost of a default to the Nation would be $29 billion, including a $14 billion decline in the GNP, and an increase of 270,000 in the number of jobless.

By default, these people all implicitly mean allowing the situation to work itself out according to its inner logic, providing no direct assistance to the city. The only Federal action would be extensions of credit by the Federal Reserve to banks. Their assumption is that New York City would follow the scenario of Grand Rapids and Detroit in the 1930's: A virtual shutdown of the city, renegotiation of every city labor contract, fewer and more expensive municipal services, and painful sacrifices for years to repay

every cent of deferred interest and principal to bondholders. If this is the necessary result of default, then no one would recommend such a scenario. Virtually any other solution would be preferable, even one which brings the banks and other institutional investors yet another windfall.

What would not be preferable is a solution which, pretending to be helpful, imposes additional burdens on the city and precludes its eventual recovery. The unknown consequences of default might represent a better risk than heeding Treasury Secretary Simon's vindictive demand that New York—and its people—be made to suffer.

In gauging the alternatives, we should weigh the effects of any plans both now and years into the future, on New York City and on the entire Nation. We are not involved in a simple technical process. This is a situation directly affecting millions of people in the New York metropolitan region, and ultimately touching every citizen of this Nation. Already, due to uncertainty over the resolution of this crisis, most areas of the Nation are facing higher interest rates. Additional costs to many communities for long-term bond issues for utilities and municipal bonds will be billions of dollars yearly lasting for many years. As a result solely of the transit fare increase in New York City which has resulted directly from this crisis, the national Consumer Price Index has risen one-tenth percent. As a result, the Federal Government will now have at least $60 million in additional social expenditures next year for program benefits adjusted to this index.

We are at a crucial moment for New York and dozens of other urban areas in this Nation. The city's problems are only quantitatively more serious than those of many other central cities. The same conflicts are just over the horizon elsewhere.

New York City's budget crisis is a direct outgrowth of the economic policies of the Nixon and Ford administrations, which reversed a developing commitment to the renewal of our Nation's cities. Unexpectedly lower receipts from income, business, and real estate taxes, and higher social service expenditures resulting from increased unemployment, are all products of the national inflation/recession. Moreover, in the 1960's, the Federal Government initiated numerous projects to provide job training, health and social services for the immigrant and native minority populations of the city. But the last two national administrations have phased out many antipoverty programs, using as justification the "benign neglect" principle. As the Federal Government has gradually discontinued its part in joint programs, localities committed to saving some of these programs have been left with huge costs for health, education, welfare, legal, and correctional services.

Increasing proportions of Federal assistance came to be based on antiquated aid formulas dating back many years. One of these, the per capita formula for Federal aid to families with dependent children and medicaid, represents one of the most important drains of revenue to New York City. I have introduced long-needed legislation to correct this clearly inequitable formula. H.R. 9652 and 9653, with 50 cosponsors thus far in the House, and S. 2476, the Uniform Federal Welfare and Medical Reimbursement Act of 1975, would provide New York State with $1.2 billion in additional funds. If this measure is passed and the State agrees to pass along its share of Federal reimbursement destined for New York City welfare costs, the city will receive an additional $750 million a year. I believe that perhaps the simplest and most equitable mechanism to save New York City is to relieve us of costs that are derived from national factors, and to help us balance our budget within the 3-year period that has been planned.

Washington, D.C. receives several hundred millon dollars annually in Federal funds for services provided to, but not paid for, by tax-exempt Federal property. New York City, one of the largest locations for Federal activities and the home of the United Nations, receives no such payments. My bill providing repayment to New York and other cities for the cost of "extraordinary" protection for foreign diplomatic missions has now passed both the House and the Senate. This is one symbolic example of the expenses which overload the budget of our city, and which—until now—have not been reimbursed by the Federal Government.

These factors have combined with the city's principal long-term difficulties—on inequitable city/suburban economic structure, the need to create additional sources of employment, excessive borrowing, the shrinking tax base, and the costs of providing decent salaries for its employees—to set up the conditions for a crisis.

But New York City is by no means unique; elements of the problems that have brought it to a crisis can be found in cities throughout the Nation:

The unequal relationship between central city and suburb, initiated and encouraged since World War II by Federal highway and housing subsidies, is a near-universal phenomenon. Even those central cities with continued employment growth have found that commuters are the principal beneficiaries. In a city-suburb "hardship index" prepared by the Brookings Institution, nine cities, mostly in the Northeast and North Central regions, were significantly worse off than New York City. Of course, the city, as the focal point of a tristate region, and lacking an independent county government to finance such costs as welfare, education, and correction, has the most difficulty in obtaining equitable regional divisions of resources.

The Advisory Commission on Intergovernmental Relations, studying 1971 data, found several other cities with two or three of the five significant symptoms of vulnerability to financial crisis seen in New York City.

New York is not in as serious trouble as several other cities in total job losses. Particularly in manufacturing, the problem is more severe in many other urban areas. This provides a clear indication of a larger problem: National policies are in fact encouraging certain industries to leave the country entirely. The urban centers of earliest development—such as New York—have felt the greatest strain as a result.

It comes as no surprise to me that the Congressional Budget Office study of per capita costs of major cities for common services and of city employees per 10,000 population shows that New York's spending is "not out of line"; indeed, it is lower than some other cities. And the CBO found salaries paid by New York City to public employees to be "generous but not the most generous of large cities," even before the cost of living was taken into account. The overall conclusion must be that no local government can any longer get away cheaply. They need capable, well-trained employees, and must be competitive with private industry. We cannot expect to cut services without suffering the consequences in increased crime and chaos. In sum, as far as costs are concerned, New York City is only the biggest—not the most expensive.

New York City is not even unique in its financial structure and problems. Total municipal borrowing in the Nation has doubled in the past 5 years, with the greatest growth coming in the high interest short-term issues upon which New York City has been so dependent. Painful cutbacks in employment and public services are in progress throughout the Nation. These cutbacks necessarily have a negative impact upon the tax base and employment possibilities. The Moorhead report, prepared earlier this year by the staff of the Joint Economic Committee, reveals a pattern of developing budget deficits and estimated elimination of a total of 140,000 State and local government positions. These cutbacks have been concentrated in the 20 States with the highest unemployment which lack energy production or high farm income. Not surprisingly, these States often contain the old and troubled central cities. The study concludes that, while a small part of the $8 billion in resulting cuts and new taxes may be seen as "much needed improvement in government efficiency, the magnitude of the adjustments and their concentration in the high unemployment jurisdictions indicates that considerable hardship will be imposed upon the affected jurisdictions."

New York City must retain the capability of developing new jobs. The 31,000 layoffs already imposed by the city government are only the most visible sign of the sacrifices made by New York: The impending demands for the elimination of free higher education, municipal hospitals, and rent control all lead to one question: will the resolution of this conflict cripple the city or will it leave it capable of taking the lead, as it has so many times in the past, in providing full employment for Americans.

Employment is the best criterion with which to judge the effect of the alternatives available to save New York City. Growing job rolls carry everything else along—higher tax revenues, expanding services, greater attraction to prospective businesses. The loss of 500,000 jobs in the past 6 years has cost the city at least $1.5

billion per year in taxes. Leaving aside the possibility of default, the New York State Labor Department anticipates a further loss of 313,000 jobs in the city by 1980. Howard Samuels, a member of the Governor's Economic Development Board, presents an even bleaker picture: A loss of at least 144,000 jobs in the next 18 months, and resulting official unemployment of 16 percent. It is not clear to what extent Professor Eckstein's estimates of 270,000 additional unemployed nationally as a result of default overlap with these estimates. Yet the cuts announced in the city's capital budget make clear that, for lack of comparatively small sums now, New York City is already losing new industries. Any rescue of the city which does not include measures that at least stabilize, and eventually begin turning around these trends is unacceptable.

Mayor Beame has told leaders of the building trades that the $400 million in halted construction projects will increase unemployment by an additional 8,000 in the construction industry, already experiencing a 30 percent rate due to 27,000 jobs lost in the past 2 years. The public works bill which I helped to write, and the countercyclical measure with which it was combined in the Senate can provide some relief, amounting to over 20,000 jobs in the entire State and 250,000 jobs nationally. The resolution of this legislation in conference, including elimination of other amendments relating to water pollution projects which would nullify the benefits of the measure in New York State, is an urgent priority.

Federal guarantees appear to be an acceptable alternative to the consequences of default. The issue is not whether it is "right" for the Federal Government to assist New York. New York Times columnist Tom Wicker has pointed out that many other critical programs and undertakings have been assisted by Washington. A total of $161.7 billion in all types of guarantees are included in the 1976 budget. I am in favor of considering each request for a guarantee on its own terms and approving those that are needed. I therefore recently voted for the $60 million loan guarantee program for the development of an electric car. The House and Senate are now considering loan guarantees for energy development. The Senate energy research and development bill proposes $6 billion in guarantees for synthetic and renewable fuel research. If it is needed, then it should be enacted.

Many Senators have recently remarked on the incongruity of a "yes" on aid to Zaire at the same time that New York is turned down. And we should think back to the $175 billion poured into Vietnam with no "budgetary control."

Federal nonpunitive guarantees, such as that guaranteed previously to the Lockheed Corp., would enable New York to gain funding through next spring. This is an essential measure to save the city. It is expected that Federal guarantees would restore investor confidence to allow both New York State and New York City to sell their bonds, without the Federal Government having to spend any money whatsoever.

Yet we must go further. Unless Congress is prepared to approve massive cuts in our military budget, institute basic tax reforms, and perhaps phase out some of the many subsidies to private enterprise, we cannot face with equanimity the prospect of other cities approaching the same position as New York City. Our Nation has ignored the plight of the central cities; without new efforts, the vitality and success of our oldest, most historic, and still most important cities will continue to be drained away.

In New York City, some are recommending still greater cuts in an effort to convince the White House that we are children who have learned our lessons and will accept whatever punishment is suggested. There are calls for further sacrifices, even though so many have already been made:

Schools are overcrowded; libraries are shutting down; hospitals are closing; health and welfare programs are being terminated; senior citizen programs eliminated; police, fire, and sanitation services dangerously depleted; 31,000 positions are now vacant, and a wage deferral will mean $700 million in lost salaries, primarily to the city's lower paid workers.

At the same time, the major contribution of the banks has been to transfer several of their highest paid executives from corporate headquarters to form a de facto government for the city. The banks' magnanimous concession of 6 percent interest rates on some of the notes they have rolled over means only that they are not making extraordinary profits on the new bonds. But they are not losing money either. In exchange for their cooperation, they are replacing many of their low-rated New York City bonds, which they have helped to undermine, with high interest bearing and more secure State bonds, backed by direct collections of the sales and stock transfer taxes.

They have obtained a powerful voice in running the city and are contributing to the creation of an environment they hope will facilitate the continued stable growth of their worldwide operations. Even as they recover at their leisure from misinvestments and speculations in bankrupt companies and real estate investment trusts—REIT's—they are benefiting by abruptly calling the city to immediate account.

After a period of indecision, the major New York banks too have begun to press for Federal guarantees. For, unspoken amid the general unwillingness to consider bankruptcy as a political, not an irrevocably fixed technical process, they may suspect that they would be the greatest losers.

The banks have begun to admit their fiduciary responsibility does not preclude a certain flexibility on their formerly inviolable rates of return. This switch should not come as a complete surprise: as in the REIT's, such renegotiations are standard procedure in the corporate world.

The basis of the banks' contribution to solving the city's crisis must be to broaden the concept of fiduciary responsibility. Time and again we have seen that the decisions of financial institutions do not coincide with the needs of the public. There is something wrong when investments in housing, mass transit and educational facilities are considered fiduciary irresponsibility.

The banks, in return for their exchange of risky notes for secure bonds, obtained layoffs, a wage freeze, and de facto control of the city's budgeting process. Now, in exchange for minor decreases in interest rates and some stretchouts of loan payments, they too are asking for further sacrifices by New Yorkers.

To save New York, we must have equal sacrifice by all parties in the crisis. The people of New York have certainly sacrificed. Yet, the major New York banks have just released their quarterly reports, and they are in much better shape than is the city.

Federal loan guarantee measures under consideration by the House and Senate Banking Committees ensure that the major institutional investors take on a responsibility and risk, as all other New Yorkers are doing. Moreover, these proposals provide an important mechanism to distinguish between major institutional investors and those individuals who have invested portions of their savings in New York City obligations.

Clearly, individuals who have bought municipal bonds as a responsible and socially useful way of assisting their city and providing a secure future for themselves should not have to assume the same responsibilities as the institutions that have encouraged, condoned and benefited from years of high-profit financing operations for the city.

A voluntary agreement for a lowering of interest payments, a Federal guarantee which will facilitate the reduction of interest rates and an extension of the period for repayment, will give New York City the ability to develop projects providing new sources of income and jobs.

These projects require seed money. Industrial developments now in various stages of completion require funds for land acquisition, extension of sewage, and streets. In many cases, funds could be recovered through real estate taxes within 2 years. But the present cuts in the New York City construction budget no longer permit such wise investments. On one group of projects, $31 million already spent will go to waste, unless $150 million more—$54 million this year—is provided. New York City will loss 22,000 jobs. This will be truly penny wise and pound foolish. Proposals which call for additional sacrifices by the city only serve to perpetuate the problem and prevent a future reversal.

For example, the free tuition City University system and rent control are among the most important guarantees of any future prosperity for the city. The university "problem" has for too long been looked at through the wrong end of the telescope. The City University saves New York State tens of millions of dollars a year, by relieving the State of two-thirds of the per student burden for

support—the State pays $3,020 per capita for State University students and only $1,310 for City University students. Meanwhile, city residents support both systems through their taxes. To absorb the City University into the State University, or to impose tuition, would inevitably mean that tens of thousands of New Yorkers, many second generation Americans whose parents have remained in the city primarily because of the City University would be unable to obtain a higher education.

Rent control, in a city with a continuing shortage of housing and the highest living costs in the nation, is the one factor that makes it possible for hundreds of thousands of largely middle-class New Yorkers to survive in New York. If they leave, the future of New York City goes with them. It is as simple as that.

To raise further the cost of every day existence for the city's work force, or to increase the level of taxes in the nation's highest taxed State, is to demand further sacrifices while precluding any possiblity of economic recovery for the city.

What is happening in New York is setting an ominous precedent. While President Ford condemns New York City as profligate, a Federal budget with a $90 billion debt provides ever more profitable and wasteful guarantees for military production. The President's pious lectures are part of a national test of wills. He is gambling that he can stay in the White House while refusing assistance to the Nation's cities, and keeping unemployment high through 1980. His actions toward New York City is a key test of that strategy. The Nation is watching to see if New Yorkers will accept Mr. Ford's new prescribed "lifestyle."

Perhaps we can use this moment to summon up popular support to make the changes in our cities that have been overdue for decades. The Federal Government, in the interests of the whole Nation, must assume responsibility for what happens to New York. Saving New York means saving the people of New York but it also will help all citizens of this country. It is their needs and interests that must be given major consideration.

CONGRESS IS OUT OF TOUCH WITH PUBLIC OPINION ON HOW TO DIRECT TAX REFORM SO AS TO END BOTH RECESSION AND INFLATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. KEMP) is recognized for 60 minutes.

Mr. KEMP. Mr. Speaker, I am of the mind that the Congress is out of touch—out of step—with the people on how to address the central issues of ending both recession and inflation.

This is very unfortunate, because it weakens our ability to restore public confidence in our future and because the people will remember—as recession and inflation persist—that their elected leaders did either nothing or too little to resolve those issues.

The people have the right feel for what it takes to get this country on its feet again—jobs and increased productivity.

They want jobs. And, they know from past promises of politicians and from their own experiences with public service, make-work jobs that the only way they will get real jobs back is through the private sector.

They want an end to inflation. And, they know from recent experience that inflation is not an act of God, that it is an inescapable consequence of Government spending more than it takes in year after year, thereby inflating the money supply.

They want an end to confiscatory rates of taxation. And, they know that taxes will go higher and higher if government at all levels persists in trying to say "yes" to every demand of every special interest group. They want a higher standard of living. And, they know that is impossible when businesses cannot expand because of the government-created shortages of investment capital and savings.

They want, in short, the Government to get off their backs and out of their pockets. And, they have very little confidence that what the majority in the Congress is doing will contribute to that—reducing the role of Government in their lives and reducing how much Government takes from their pay checks.

In few ways could this be more accurately demonstrated than in the marked contrast between what Congress is doing in the area of tax reform and what is really needed. The widely respected St. Louis Globe Democrat made this point several days ago when it editorialized:

There is an urgent need for two kinds of tax reforms—those that will bring more equity to the U.S. tax system and those that will give the capital-starved American industry the funds it must have in the coming decade.

So it is greatly disappointing that the .... minds on the House Ways and Means Committee .... approved two changes that would make the tax system more inequitable.

Reminiscent of the way members of Congress recently insulated themselves from the effects of inflation by voting themselves a hefty cost of living increase, was the Ullman's committee's rush to approve a big tax deduction for federal and state legislators.

By a voice vote, the committee agreed on the 'reform' that would more than double an existing $3,000 a year tax deduction for members of Congress.

While proposing this change to further benefit themselves, what did the Ullman committee do for ordinary taxpayers?

First, they voted to eliminate any U.S. taxation of most dividends and interest that [foreigners] earn from investments in this country.

But for American taxpayers who pay taxes on dividends that already have been taxed before companies distribute them, the committee did nothing. The double taxation apparently is going to continue.

The committee reportedly will give only a day or two to the crucially important reforms that could help channel new capital into industry. Studies show that present tax laws are largely responsible for the fact that American industry will have a capital shortfall of $650 billion in the next 10 years.

To remedy the situation, the committee should approve reforms that: End double taxation on dividends, create permanent investment tax credits for business, increase depreciation schedules to take into account inflation, revise the antiquated capital gains tax laws that restrict investment and freeze capital and lower the corporate income tax rate.

The editorial refers, in that closing paragraph, to the Jobs Creation Act, H.R. 10015, a measure which now has 90 House cosponsors and a Senate companion measure, S. 2465, by Senator MCCLURE of Idaho.

ECONOMETRIC STUDY SHOWS THE JOBS CREATION ACT IS THE ALTERNATIVE TO RECESSION AND INFLATION

The Jobs Creation Act is an immediate and effective means to end both the recession and inflation—and it can be done without reliance on inflation-fueling revenue losses and deficit spending.

The most important result of the study is its showing of the capacity of the act to resolve the dual problems of inflation and unemployment simultaneously—avoiding the danger of fueling inflation while fighting unemployment or causing unemployment while fighting inflation.

And these two factors—first, the act's ability to resolve economic problems and, second, doing that without generating additional economic problems—are crucial in understanding why public support is growing so rapidly in support of this and similar measures.

This new, major, substantive economic analysis of the Jobs Creation Act reinforces the position its cosponsors took upon its introduction—that it will bolster employment, gross national product and capital outlays—without losses in revenue to the Treasury.

What does the new study—prepared by Norman B. Ture, Inc., of Washington, D.C.—show?

In the first year alone of its enactment, its provisions would cause a $151.4 billion jump in the gross national product; would create 7.18 million new, private sector jobs; would cause $74.6 billion in capital outlays over what would have otherwise been anticipated; and, would generate $5.2 billion in additional revenue to the Treasury.

In the second year of its enactment, it would cause additional increases of $49.1 billion in GNP, 1.84 million in jobs, $3.3 billion in capital outlays, and $9.4 billion in revenue.

In the third year, it would cause additional increases of $48.4 billion in GNP, 1.89 million jobs, $3.2 billion in capital outlays, and $10.6 billion in revenue.

Thus, in the 3 years of its enactment, it would bolster GNP by a total of $248.9 billion, employment by 10.91 million, capital outlays by $81.1 billion, and Treasury revenue by $25.2 billion—over and above what would otherwise occur.

And, of course, there would be substantially decreased demand for Federal expenditures—unemployment benefits, welfare, subsidies to ailing businesses—as the economy grew again. That reduction in expenditures would further reduce the inflation-fueling deficit financing of the Federal—and State and local—governments.

These figures are striking, indeed, they may even be startling, but this is because in the past 50 years this country has not relied on the approach embodied in the

Jobs Creation Act—of fostering progress and economic growth through production.

It is rare that the Congress has an opportunity to pass legislation that benefits all of our constituents, rather than subsidizing one group at the expense of others. There is nothing in this act to which any interest group can object—other than the bureaucracy which will have a reduced role in our lives and in our economy if it is enacted.

Of the three major alternatives before the Nation—the President's revenue and expenditure reduction program, the tentative tax cut decisions of the Committee on Ways and Means, and the Jobs Creation Act—only the Jobs Creation Act will provide lasting jobs firmly grounded in the higher productivity of more and better capital investment. Of the alternative only the Jobs Creation Act increases savings and avoids deficits.

The Jobs Creation Act will increase the savings available for investment by—

Providing tax credits for increases in qualified savings in commercial or mutual savings banks, savings and loans, building and loans or similar associations, credit unions, and life insurance or mutual companies and in qualified bonds and common and preferred stock in domestic corporations—section 3;

Enlarging the dollar amount for individual retirement accounts, savings and bonds—section 4;

Excluding from gross income the dividends received from domestic corporations—section 5;

Excluding the first $1,000 of capital gains—section 6;

Reducing the corporate normal tax from 22 to 20 percent on a permanent basis—section 9;

Reducing the corporate surtax from 26 to 22 percent on a permanent basis—section 10;

Increasing the corporate surtax exemption to $100,000 on a permanent basis—section 11;

Increasing the investment tax credit to 15 percent and making it permanent at that level—section 12;

Increasing the ADR range from 20 to 40—section 13;

Providing for a new alternative system of capital recovery allowances—section 14;

Providing for a 1-year writeoff of mandated pollution control facilities—section 15; and

Preserving family businesses and farms—sections 7 and 8. This is why support for the measure is so broadly based.

SUPPORT FOR CAPITAL FORMATION INCENTIVES GROWS

Support for capital formation incentives continues to grow across the country.

That support has been particularly evident in newspaper editorials in recent weeks.

The Seattle Times editorialized:

. . . The House Ways and Means Committee has made a disappointing decision in settling a committee bill-markup schedule that virtually rules out action this year on tax incentives for business-capital formation.

Ullman says "it's just not being realistic" for the committee to tackle capital-formation issues in tax legislation now under consideration.

But neither is it being "realistic" for the key tax-law committee on Capitol Hill to continue to ignore the urgent need for private capital to build up the nation's productive capacity and create new jobs.

The prospect of a major capital shortage in the United States economy has become a matter of widespread business and government (executive branch) concern.

Without adequate capital, the pressing energy and environmental demands of the next decade will not be met, and the nation might as well resign itself to high unemployment for the indefinite future.

Since the whole subject of tax incentives lends itself so easily to presidential-campaign demogoguery, the prospects for congressional action next year are dim.

Ullman is, in effect, putting off today what cannot likely be done tomorrow.

The Ways and Means chairman has in the recent past been identified with those congressmen who are more interested in building private-industry payrolls than in creating make-work government jobs.

But his go-slow approach on capital-formation tax incentives is not consistent with that posture.

Mr. Speaker, the Providence (R.I.) Journal argued:

The impending capital gap that threatens the existence of the capitalist system as it has flourished in the United States is a devilishly complex one to explain, much less to understand.

The question is whether the American people, and those whom they put in public office to represent them, are willing to resist the temptation to see this warning as just another effort to "rip off" the public, and to understand the real implications of a massive capital shortage in the next decade. Beyond that is the question whether the public is willing to commit a bigger portion of the total national income to savings, which in turn can be invested in the capital goods needed to increase productivity.

The way to achieve this increase in savings, at the cost of continuing growth in consumption, is via reforms that will ease the corporate income tax burden, and by a balanced federal budget. Neither of these is politically popular. A lightened tax load on business means a proportionally heavier tax burden on individuals. And a balanced federal budget means that federal social spending programs cannot be allowed to expand at the rate they have expanded for the last decade or more.

The consequences of allowing the threatened capital gap to mushroom into a genuine crisis may be the best way of convincing the public of what needs to be done. As Business Week spells it out, a capital crisis would result first in ever-tightening availability of money at skyrocketing interest rates; the economy would suffer from chronic shortages of goods and continuing high inflation; the business cycle would shift into a series of short, feeble recoveries that are quickly aborted; major corporations would begin to dominate the business scene, driving smaller and less credit-worthy business out of existence; social unrest and class conflict would dominate the scene; the hopes of upward mobility of millions would be quashed; ultimately the political pressures would shunt the country toward a socialized system.

As Business Week editorializes on this last point, "The fact that capital shortages exist in socialist countries shows clearly that state ownership of everything is not the answer. The real answer to the U.S. capital shortage is reform within the structure of a market economy: tax reform, restructuring of financial institutions, new incentives for saving, revision of regulatory practices. Given the right policies, the U.S. economy can generate the capital it needs."

Mr. Speaker, the Muncie (Ind.) Star, in commenting on our colleague, Mr. MYERS of Indiana, having cosponsored the Jobs Creation Act, stated:

Legislation to help attract more investment capital for business in the United States and to generate some 20 million new jobs in private industry over the next 10 years is being sponsored by Representative Myers (R-Ind.) and some 40 others in Congress.

Representative Kemp (R-N.Y.) is the primary sponsor.

Ultimate aim of the legislation would be to spur a capital input of between $4.1 and $4.6 trillion estimated by business leaders and others as essential to a sustained growth of U.S. industry through 1985, and to neutralize a shortfall in investment capital of between $700 billion and $1.5 trillion seen as likely to develop lacking reform of business-depressing tax and regulatory policies currently in force.

In fact, legislation of the sort proposed by Myers and his cosponsors is a must if ever-larger numbers of Americans entering the job market are to be absorbed and provided with employment by U.S. industry as they have been in the past. Yet it is probably predictable, and sadly so, that many of the demagogic, Socialist-inclined in Congress will take the opposite tack, declaring such legislation would favor "big business" or "the rich" at the expense of "working people."

But, as Myers said, "This program is no more pro-business than it is pro-labor. It simply is pro-jobs, and it is jobs we need more than anything else today."

Just so. And that is why the legislation he advocates deserves to receive the widest support not only from businessmen but from all Americans now gainfully employed and looking for advancement, and from those hoping to secure dependable employment over the next decade—and on into the future.

Mr. Speaker, the Buffalo Evening News showed how enactment of the Jobs Creation Act would cause a better standard of living in our country:

How efficiently the United States economy produces its goods and services influences to a significant extent whether the country's rising standard of living is solid and real or, because of waste and inflation, merely illusory.

Therefore it shouldn't be too surprising that in 1974, when inflation soared to around 12 per cent, the country's productivity rate dropped by more than 2 per cent. As a nation we were less efficient than in 1973, the first such setback since at least 1958.

That's the bad news. The good news is that the rate of productivity of American workers increased in the recent April-to-June quarter. Increasingly, the second quarter of this year looks like the turnaround period in which the economy hit bottom and began to revive.

But sustained revival of economic efficiency is not, as a recent report of the National Commission on Productivity and Work Quality said, preordained. It won't continue automatically, but requires care and feeding from us all and from several standpoints. Indeed, even though the American economy has traditionally showed yearly gains in efficiency, those gains since about 1960 have not kept pace with even larger ones in Japan and many European industrial nations. Nor will the job of producing more goods and services at the same or less cost become easier in the future.

The way to respond to that challenge is for America to encourage investment both in terms of capital for new plants and equipment to modernize our industries and in terms of effective education and training programs keyed to helping all workers, whatever their levels of skill and responsibility, do their jobs better.

The statistical confirmation that in 1974 inflation reached double-digit proportions, while the nation's productivity slipped back for the first time in many years, should convince everyone that an ever-rising American standard of living is not guaranteed in any economic bill of rights. It must be consistently and repeatedly earned.

How the Jobs Creation Act relates directly to the creation of jobs in our major cities, such as Buffalo, WGR–TV, AM and FM editorialized in support of the measure:

In the past couple of years, Buffalonians and Western New Yorkers have received several million dollars in jobless benefits from the Federal and State governments.

Most of the money was doled out in one program or another; very little of it was used to create meaningful, permanent jobs.

Representative Jack Kemp has initiated what we believe is a significant proposal to get Buffalo's wheels turning again. The Congressman has written what he calls the Jobs Creation Act.

By creating an improved financial atmosphere for private business through certain tax reforms, it would shift the employment picture from tax-money-consuming jobs to tax-generating jobs. And what we need are jobs that make money for government; not cost money. Mr. Kemp's Job Creation Act has 90 congressional supporters. We also support it.

Perhaps one of the most thoughtful of all the editorial analyses of the capital formation issues appeared in an earlier edition of the St. Louis Globe Democrat that I quoted a moment ago. It went to the heart of this debate:

Under the urgings of a welfare-oriented, anti-business Congress, the United States has been turned into a nation that revels in consumption and disdains saving and investment.

Hundreds of billions of dollars that formerly would have provided new capital for business expansion are now channeled into every conceivable kind of public welfare program.

To make these annual federal spending orgies possible, the federal government has devised many new ways to tax individuals and corporations.

The net result is that the United States now trails all the other major western industrial countries in the percentage of total output devoted to spending for new factories, machinery and other facilities.

Japan, with a robust 29 per cent of its total production alloted to investment, leads the industrial countries. It is followed by West Germany, 20 per cent; France, 18.2 per cent; Canada, 17.4 per cent; Italy, 14.4 per cent; United Kingdom, 15.2 per cent, and then comes the United States with a puny 13.2 per cent.

The implications of this neglect of private enterprise are ominous. If this trend continues, it will mean that business will be about $650,000,000,000 short of the capital it will need by 1985 for expansion and replacement of facilities.

Without the necessary capital for expansion, there won't be enough jobs to provide employment for the hundreds of thousands of persons who will be entering the job market every year.

If old plants can't be replaced with modern plants, it will mean that productivity won't increase as rapidly as it will in countries that devote more of their national wealth to capital improvements. This will put U.S. products at a competitive disadvantage and reduce sales of American goods overseas—which in turn will cause higher unemployment.

So this is not an abstract problem. It is a vital concern for all Americans. If business in the United States falters for lack of growth capital, it will mean long unemployment lines and hardship for millions of American families.

There are ways to provide business with the capital it needs. Treasury Secretary William E. Simon proposed some of them recently in testimony before the House Ways and Means Committee. One method is to stop taxing dividends twice, as is now done. Another is to reduce excessively high corporate income taxes. A third way is to restructure capital gains tax laws so they encourage investment in business rather than restrict it. New capital also could be made available by making the investment tax credit permanent and raising it to 12 per cent, and by liberalizing depreciation guidelines to take inflation into account.

Democratic liberal critics deliberately misconstrued Simon's proposals. They charged that he was making a plea for more tax breaks for wealthy investors and corporations at the expense of other taxpayers.

This kind of criticism indicates a mentality that is so poisoned against business that it refuses flat-out to recognize that companies are facing a crucial capital shortage or that they can't obtain the capital they need under present tax laws.

The term "wealthy investors" also is a code phrase denoting dislike for the estimated 30 million Americans who hold stock in public corporations. Are all 30 million of these investors who would benefit by an end to double taxation on dividends wealthy? Certainly the great majority of them are not. Most of them are members of the much-maligned middle class.

It is beyond belief how anyone, even an advocate of unlimited federal spending, can defend double taxation to any form. But this anti-business, anti-capital attitude demonstrates why it is so extremely difficult to convince Democratic leaders in Congress that these changes in U.S. tax laws must be made.

They look upon business as a money tree that can be endlessly plucked. But they curse the tree and threaten to chop it down when it pleads for the sustenance it needs to continue to grow.

That is, indeed, the alternative before us—before the Nation and the Congress. I trust we will opt for jobs creation and enact provisions of the Jobs Creation Act.

BLACKS AGAINST FORCED SCHOOL BUSING

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. BOB WILSON) is recognized for 10 minutes.

Mr. BOB WILSON. Mr. Speaker, the Congress might be surprised to realize, as I have been, that a large segment of our black population opposes forced schoolbusing. Clay Claiborne, national director and founder of the Black Silent Majority Committee, whose travel takes him into virtually every State, has found massive grassroots sentiment among blacks against busing to achieve mythological "racial balance."

Now, because of nationwide tension and the atmosphere of crisis which have resulted from court-ordered busing, the Black Silent Majority group has set as its goal the passage of a consultation amendment to prohibit busing for all.

Citing the untold story of hundreds of thousands of black families who resent the shameful waste of tax dollars for forced busing, who are grossly inconvenienced by busing, whose children's safety is imperiled, and who stoutly cling to their right to freedom of choice and quality education in their black communities, the Black Silent Majority is galvanizing widespread but unorganized black opposition to busing on a national scale.

They have created and begun distributing a cogent, powerful, and articulate pamphlet titled, "Black Brigade Against Busing," detailing their stand. This informative and excellent publication calls on black citizens to rally with other Americans in the fight against busing. Mr. Speaker, the publication says in part:

A vast majority of Blacks is beginning to see that forced busing is not working in anybody's real interest. It has done more than anything else to turn many people against public schools and state compulsory attendance laws. It has increased racial feelings among students and heightened Black-White tensions within society at large.

Significantly, the Black Silent Majority Committee points out that liberal proponents of busing seem to view blacks as incapable of supporting and maintaining community schools and to imply that education in predominately blacks learning institutions is inherently inferior. Black teachers, in particular, are called upon to speak out about chaotic conditions and the paralysis of meaningful educational processes in school districts where busing has been ordered in defiance of the popular will.

The Black Silent Majority started its work five years ago to curb the influence of radical militants in black communities. Their success has been significant. No longer are Americans inundated with the hate-filled propaganda and threats via the television tube from black extremist groups. For their effective efforts they were granted the highest award from the National Freedoms Foundation at Valley Forge. This year the group traveled 12,400 miles over America's highways in a black patriotism crusade to place talk of a long hot summer of racial violence into the deep freeze where such talk belongs. Big city riots linked to the economic conditions of 1975 did not materialize, thanks in part to the Black Silent Majority's efforts.

I call this new and momentous effort against forced busing to the attention of the entire membership of the House. Courage to speak the sentiments of legions of silent black Americans on this issue deserves our attentive notice and should create within our hearts the desire to face the schoolbusing issue forthrightly. Let us move on the proposals for a constitutional anti-busing amendment and return all American school children to a sane and sound educational environment.

THE EMERGENCY BOND GUARANTEE ACT

The SPEAKER pro tempore. Under previous order of the House, the gentleman from Connecticut (Mr. MCKINNEY) is recognized for 15 minutes.

Mr. MCKINNEY. Mr. Speaker, for the past week, the Economic Stabilization

Subcommittee of the House Banking, Currency and Housing Committee has been deliberating over the problems of municipal debt financing. The witnesses who have come before us have stated their convictions in a most effective and eloquent fashion. Specifically, we have been asked the question, whether it is in the best interest of this Nation for the Federal Government to make available some form of financial assistance to New York City?

However, these hearings have already revealed that New York City has been merely the catalyst used to focus our attention on needed changes in Federal policy and debt financing practices. The question which this Congress must answer is whether the Federal Government has a responsibility to aid municipalities whose fiscal distress may well result in a weakening of the economic base of the entire country?

We are all aware that poor fiscal management of New York City over the past 12 years has caused that city to be run with a deficit of over $1 billion per year. We are also aware that the inept and irresponsible behavior of New York City politicians has meant that New York must roll over $4 billion yearly in short-term debt—a task which New York City and possibly New York State will not be able to achieve because the country's credit markets have been closed to them.

In the testimony presented to us, all have agreed that a New York City bankruptcy would have implications of national and international proportions. Since no one has faced a default of this magnitude in the past, it is impossible for any of us to comprehend the full and total impact a failure by New York City will have on the national economy. Failure to respond before the fact does not reduce the potential after the fact.

Some reporters have said that the American people are apathetic to this problem and thereby dismiss any Federal aid. I do not believe it is apathy: It is their failure to understand that New York City and State debt constitutes over 20 percent of all outstanding municipal debt in the United States. It is their failure to realize that higher State and city taxes will be needed to support essential public services presently financed through State and local bond issues as higher bond rates follow. It is their failure to accept the fact that the eventual cost to the American taxpayer if New York City defaults could be far more than any assistance program ever considered.

I would like to rely on the Federal bankruptcy laws to resolve this crisis, but the steps provided by Congress to face prior municipal crises in the 1930's fail to address the problems encountered by default by major cities or to provide the timely solution needed now. The decision I have made is one of the most difficult of my political career. Through legislation which I have introduced today entitled "The Emergency Bond Guarantee Act," I propose that the Federal Government agree to guarantee taxable state bonds issued to relieve the fiscal distress of municipalities which have met certain severe preconditions.

I am not talking about a bailout for any city, State, or elected official. I am not proposing a Federal grant to any city or State. It does not create a new precedent since Congress has acted to assist municipalities in fiscal distress prior to this time. My bill contains these provisions:

It creates a Federal oversight board comprised of members with financial and administrative expertise to provide balance;

It insists that stringent measures be taken by both the State and the municipality to return fiscal stability within 2 years of the guarantee through a balanced budget;

It requires that fiscal control of the municipality be placed in the hands of a State board or agency created for this purpose;

It provides no guarantee unless all credit markets have been closed in both the municipality and the State, and

It establishes a limit for the guarantee to any city, provides for a phaseout of guaranteed debt by purchases through the private sector, charges a guarantee fee and, as double insurance, assures repayments through retention of federally allotted funds, such as general revenue-sharing funds.

The scope of these requirements is so broad, yet restrictive, that it will preclude any elected official from coming to the Emergency Bond Guarantee Board for a "free lunch." Application for assistance under these provisions will be tantamount to admission of failure by the city management and political suicide for these elected officials.

I urge my colleagues to read the language of this bill as well as the analysis that follows. I have attempted to spell out in detail how each section will apply and specifically how it relates to the New York problem.

I cannot stress too strongly the potential impact for each citizen of our great country if we fail to restore confidence now in our municipal debt structure. The unwillingness of the U.S. Government to act in this instance may well provide the crushing blow to the democratic and free enterprise systems.

It is imperative that Congress move with the greatest speed to prove to our people and the world that ours is a viable political system that is capable of adapting to modern problems. I feel that the bill I have drafted provides Congress with the tools it needs to meet this challenge.

Mr. Speaker, I include at this point the text of the bill and the accompanying section-by-section analysis:

ANALYSIS OF "EMERGENCY BOND GUARANTEE ACT" INTRODUCED BY HON. STEWART B. MCKINNEY

Sec. 2: Emergency Bond Guarantee Board is similar to the Loan Guarantee Board of the Loan Guarantee Act of 1971 (Lockheed) except for the substitution of the Secretary of Housing and Urban Development in place of the Chairman of the Securities and Exchange Commission and a representative from both the U.S. Conference of Mayors and the Governors conference.

Sec. 3. The Emergency Bond Guarantee Board is authorized to guarantee the principal and interest of securities issued by a State or State agency. The beneficiary of such loan guarantee may be a municipality, broadly defined to include "any governmental agency, public authority, or public benefit corporation. . . ." The necessary amount of guarantees to be guaranteed is $6 billion for New York City alone (see Sec. 5b below). It should be noted, however, that State agencies such as New York State's Housing Finance Agency may qualify for a loan guarantee under this provision. If such actions are contemplated, the authorization should be increased. However, it should be noted that a generally ignored provision of the Community Development Act of 1974 allows for federal guarantees of taxable securities issued by state housing agencies; this provision has never been implemented by HUD.

Sec. 4: (1) The Board must find the private market closed to the applicable State or State agency. New York State and/or City could request major creditors (i.e., the banks) to submit letters to the Board certifying that the market is now closed to New York.

(2) Requirement of sound accounting procedures and a balanced budget. New York City is required under State law (enacted Sept. 9, 1975) to adopt accounting procedures which conform to the State Comptroller's Manual based on the Municipal Finance Officers model—a nationally standardized method. Additionally, if the Board found such procedures insufficient, it could require its own methods which would supersede the State legislation. The September legislation requires a balanced budget by the end of FY 1978.

(3) Requirement that the State have authority over the fiscal affairs of the assisted municipality. While New York currently meets most of the requirements in this subsection through the Emergency Financial Control Board (EFCB), it is possible that the State legislation would have to be extended if guarantees under this bill were to extend beyond the end of 1979 when the EFCB is supposed to be phased out. This should be no problem. Also, the EFCB currently reviews only service contracts in excess of $100,000 and construction contracts in excess of $1 million, although it has the authority to review all contracts as required by the bill.

(4) Assures repayment, if necessary, to the federal government. This would require, if the Board determines it necessary, the depositing of all general revenue sharing funds (or comparable federal assistance) with the Board. For 1975–76, the City of New York will receive $263 million. New York State will receive $241 million, for a total of $504 million annually. Guarantees totaling $6 billion would require retention of New York general revenue sharing funds by the federal government for approximately 12 years to repay the full principal, and approximately one year for each year's interest.

(5) Allows for auditing of accounting and review and adjustment, if necessary, of accounting procedures of the assisted municipality. Requires periodic reports to be made by the assisted municipality. Requires periodic reports to be made by the assisted municipality to the Board. Essentially this parallels requirements already in the State legislation.

(6) The applicant state would pay a guarantee fee not to exceed one per cent per annum of the total principal of outstanding guarantees. New York City estimates the fee cost, assuming payment of the full one per cent, to be:

[In millions]

December 1 to June 30, 1976	$30.7
Fiscal year 1977	49.4
Fiscal year 1978	58.4

(7) Requires the applicant state to provide a grant to the assisted municipality of at least one-third the anticipated operating deficit for each year a guarantee is in effect. The estimated deficit for New York City is:

[In millions]

December 1 to June 30, 1976	$416
Fiscal year 1977	470
Fiscal year 1978	—30

The total deficit Dec. 1, 1975 through FY 78 is $856 million. The State would be required to assume $428 million, which at an annualized amount equals $171 million.

(8) Investors must make commitments to purchase unguaranteed securities issued by or on behalf of the assisted municipality in an amount equal to at least 20 per cent of the cumulative amount of "guaranteed assistance outstanding and proposed" under the bill. Guarantees are predicated on the private sector picking up at least 20 per cent of the proposed guarantees.

Sec. 5: (a) Maturity of any guaranteed obligation would be set by the Board. If the Board were to maintain a high (in relation to total authorization) level of guarantees over a period of years, a limitation on guaranteed securities would not help New York City get out of the trap of continuous rollover of short-term borrowing. On the other hand, if there is a phase-out of the amount of guarantees afforded us, coupled with an increasing ability to get into the market with unguaranteed securities, the limitation of one year maturity should be no problem.

(b) Limits guarantees to $6 billion for any municipality. This figure is acceptable assuming that investors will pick up at least $1 billion on unguaranteed securities annually and that the city will be able to market $2 billion annually in seasonal rollover.

(c) Guaranteed securities must be taxable. Both the Mayor and Governor have publicly proposed that.

Sec. 6: Provides for authorization of audits by GAO of all books, accounts, records and transactions of the applicant state or assisted municipalities.

Sec. 7: The Board must cease to guarantee obligations if the State or assisted municipality does not comply with requirements.

Sec. 8. (a) A Debt Guarantee Fund shall be established in the Treasury to pay the expenses of the Board.

(b) Guarantee fees would be deposited in the Fund. For amounts of fees, see Sec. 4.6 above.

Also, if required, general revenue sharing funds would be deposited. For New York City and New York State in FY 1976, this would amount to $504 million.

(c) Payments required as a result of a guarantee would be made from the Fund. While we do not foresee that possibility, the Fund could, at the direction of the Board accrue approximately $500 million per annum from general revenue sharing funds. Also, if the federal government did have to pay on a guarantee, it is unlikely that the State or State agency default on the guaranteed security would be for the full amount of the authorization program. Furhermore, Sec. 9(b) allows for the Board to recover the full amount from an applicant State.

The remaining sections are self explanatory.

It should be recognized that there is substantial opposition to federal guarantee of moral obligation securities. However, the only types of obligations New York State or the Municipal Assistance Corporation (MAC) can issue at this time are moral obligations. To issue full faith and credit obligations would require a State referendum to expand the allowable debt limit.

New York City, however, can issue short-term full faith and credit securities. The problem is that there is also substantial opposition to a guarantee of City obligations. A possible way around this snafu would be to guarantee City notes with the requirement that the State oversight agency (in this case the Emergency Financial Control Board) must approve every issuance of new securities. This is actually already provided in the September 9 legislation.

H.R. 10405

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Emergency Bond Guarantee Act" to provide emergency financial assistance to municipalities.

ESTABLISHMENT OF THE BOARD

SEC. 2. There is created an Emergency Bond Guarantee Board (referred to in this Act as the "Board") composed of the Secretary of the Treasury, as Chairman, the Chairman of the Board of Governors of the Federal Reserve System, the Secretary of Housing and Urban Development, a member of the United States Conference of Mayors, and a member of the United States Conference of Governors. Decisions of the Board shall be made by majority vote.

SEC. 3. The Board, on such terms and conditions as it deems appropriate, may guarantee, or make commitments to guarantee the timely payment of principal and interest to holders of obligations which are to be issued by a State either directly or through a State agency for the purpose of financing the credit needs of a municipality subject to its jurisdiction and which otherwise meet the requirements of this Act. For the purposes of this Act, a municipality means a city incorporated under the laws of a State and any governmental agency, public authority, or public benefit corporation which receives or may receive moneys directly, indirectly, or contingently (other than moneys received for the sale of goods or the rendering of services or the loan of moneys to the city) from that city.

STANDARDS AND CONDITIONS

SEC. 4. No guarantee shall be made by the Board under this Act unless—

(1) the Board finds that the State or State agency whose obligations would be guaranteed (hereinafter referred to as "the applicant State") and the municipality whose credit needs would be financed by such obligations (hereinafter referred to as "the assisted municipality") are unable to obtain credit in the private market and that the failure to obtain such credit will cause the assisted municipality or State agency to default on their outstanding obligations;

(2) the assisted municipality submits, with the approval of the Governor of the applicant State, in such detail and in accordance with such accounting principles as the Board may prescribe, a plan for bringing its operating expenses into balance with its recurring revenues for its second full fiscal year following the initial application for assistance;

(3) the applicant State demonstrates that it has the authority to control the fiscal affairs of the assisted municipality for the entire period during which the Federal guarantee will be outstanding including the authority to determine all revenue estimates, set aggregate expenditure limits, disapprove all expenditures not in compliance with the plan required under paragraph (2), approve all borrowing, and contracts during that period;

(4) the applicant State provides assurances satisfactory to the Board that it will repay any losses the United States Government may sustain as a result of payments Federal income tax laws.

Act, and in furtherance of such assurances, the applicant State and assisted municipality agree to waive and deposit with the Board all revenues which they would otherwise be entitled to receive under the State and Local Fiscal Assistance Act of 1972, or other comparable general purpose financial assistance from the Federal Government at such time as the Board may determine and in such amounts as may be necessary to reimburse the Board fully as to principal and interest for any losses sustained by the United States as a result of payments made pursuant to a guarantee under this Act;

(5) the assisted municipality agrees (i) to make available to the Board, the Comptroller General of the United States, or any certified public accountant designated by the Board all of its accounts, books, records, documents, transactions, and other information which may be requested bearing on its financial situation prior to and during the entire period in which a Federal guarantee is outstanding; (ii) to follow generally accepted accounting principles as the Board may prescribe; and (iii) to provide such periodic reports as the Board may require;

(6) the applicant State agrees to pay the Board a guarantee fee in an amount determined by the Board but not to exceed 1 per centum per annum of the total principal amount of guaranteed obligations outstanding;

(7) the applicant State agrees to provide in accordance with this subsection a grant to the assisted municipality for each fiscal year of the municipality during which a guarantee under this Act may be outstanding. Such grant shall—

(A) be in an amount equal to at least one-third of the anticipated operating deficit of the assisted municipality for that fiscal year or portion thereof as determined in accordance with accounting principles prescribed by the Board;

(B) be derived from the general tax revenues of the applicant State;

(C) be in addition to all other grant or similar assistance provided to the assisted municipality by the applicant State pursuant to programs established or commitments made prior to its initial request for a guarantee under this Act;

(D) be provided at such times as the Board may prescribe; and

(E) be used by the assisted municipality to meet its operating expenses in accordance with the financial plan required under paragraph (2); and

(8) the Board determines that investors have made commitments to purchase, or have purchased and continue to hold, obligations issued subsequent to the enactment of this Act by or on behalf of the assisted municipality (other than obligations guaranteed under this Act or purchased pursuant to commitments entered into prior to the enactment of this Act) in an amount equal to at least 20 per centum of the cumulative amount of guarantee assistance outstanding and proposed under this Act. Such commitments to purchase may be contingent upon the approval of a guarantee under this Act and shall be exercised no later than thirty days following the approval of such guarantee.

LIMITATIONS

SEC. 5. (a) The maturity of any obligation guaranteed under this Act may not exceed a period to be determined by the Board.

(b) The aggregate principal amount of obligations to any municipality guaranteed by the Board shall not exceed, at any time, $6,000,000,000.

(c) Notwithstanding any other provision of law, interest received or accrued on obligations guaranteed under this Act shall be included in gross income for purposes of the made pursuant to a guarantee under this

AUDITS

SEC. 6. No guarantee may be made under this Act unless the General Accounting Office is authorized to make such audits as it deems to be appropriate of all accounts, books, records, and transactions of the applicant State or assisted municipality. The General Accounting Office shall report the results of any such audit to the Board and to the Congress.

TERMINATION OF GUARANTEE ASSISTANCE

SEC. 7. The Board shall cease to guarantee any new obligations of any applicant State whenever it determines the applicant State or the relevant assisted municipality are not meeting their obligations under section 4 or that the plan required under paragraph (2) of section 4 is not being achieved on schedule.

EMERGENCY BOND GUARANTEE FUND

SEC. 8. (a) There is established in the Treasury an emergency municipal debt guarantee fund (hereinafter referred to as "the fund") to be administered by the Board. The fund shall be used for the payment of the expenses of the Board and for the purpose of fulfilling the Board's obligations under this Act. Moneys in the fund not needed for current operations may be invested in direct obligations, or obligations that are fully guaranteed as to principal and interest by the United States or any agency thereof.

(b) Sums realized from the guarantee fee required under section 4(10) shall be deposited in the fund. Notwithstanding any other provision of law, the Secretary of the Treasury shall deposit in the fund any payment, or portion thereof, which a State government or unit of local government would otherwise be entitled to receive under the State and Local Fiscal Assistance Act of 1972, or any law continuing a comparable program of fiscal assistance to State and local government, and which is waived by such government pursuant to section 4(4).

(c) Payments required to be made as a consequence of any guarantee by the Board shall be made from the fund. In the event and to the extent that the moneys in the fund are insufficient to make such payments the Secretary of the Treasury is authorized and directed to make such payments on behalf of the Board and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include any such payments.

FEDERAL RESERVE BANK AS FISCAL AGENTS

SEC. 9. Any Federal Reserve bank which is requested to do so shall act as fiscal agent for the Board. Each such fiscal agent shall be reimbursed by the Board for all expenses and losses incurred by it in acting as agent on behalf of the Board.

PROTECTION OF GOVERNMENT INTEREST

SEC. 10. (a) The Attorney General shall take such action as may be appropriate to enforce any right accruing to the United States or any officer or agency thereof as a result of the issuance of guarantees under this Act. Any sums recovered pursuant to this section shall be paid into the fund.

(b) The Board shall be entitled to recover from an applicant State, or any other person liable therefor, the amount of any payments made pursuant to any guarantee made under this Act, and upon making such payments, the Board shall be subrogated to all the rights of the recipient thereof.

REPORTS

SEC. 11. The Board shall submit a quarterly report to the Congress as to its operations under this Act.

TERMINATION

SEC. 12. The authority of the Board to make any guarantee under this Act terminates on June 30, 1979. Such termination does not effect the carrying out of any contract, guarantee, commitment, or other obligation entered into pursuant to this Act prior to that date, or the taking of any action necessary to preserve or protect the interest of the United States in any amounts advanced or paid out in carrying on operations under this Act.

FEDERAL RESERVE BOARD SHOULD RECONSIDER POSSIBILITY OF PROVIDING ASSISTANCE TO NEW YORK CITY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. GONZALEZ) is recognized for 5 minutes.

Mr. GONZALEZ. Mr. Speaker, in respect to the financial blight of New York City and how to meet this crisis, it would be a mistake on the part of the Congress not to explore every avenue which is available under existing statutes.

I have sent the following correspondence to my colleagues here in the House in which I solicit the signatures of my colleagues to a letter I am sending to the Federal Reserve Board Chairman Arthur Burns that he reconsider the possibility of providing assistance to New York through section 14(b) of the Federal Reserve Act.

I am submitting this correspondence for the RECORD, and would welcome further discussion of its from my colleagues:

WASHINGTON, D.C., *October 28, 1975.*

DEAR COLLEAGUE: Attached is a draft of a letter I am sending to Federal Reserve Board Chairman Arthur Burns in respect to New York City's financial plight.

If, after reading this draft, you would like to join me in this letter, please have someone from your staff call Mrs. Lorraine Inman in my office at extension 50419 (which is the Subcommittee on International Monetary Institutions and Finance number) to advise that you wish to sign so that Mrs. Inman can make arrangements to get your signature.

If you wish to discuss this matter further with me, please give me a call at extension 53236 or see me on the House floor.

With every good wish, I remain

Sincerely,

HENRY B. GONZALEZ,
Member of Congress.

[Draft]

HON. ARTHUR F. BURNS,
Chairman, Board of Governors of the Federal Reserve System, Washington, D.C.

DEAR DOCTOR BURNS: The current financial problems facing the City of New York have been aired extensively in the Congress in the last several weeks.

You have, in your usual eloquent way, testified a number of times on this subject, and in each instance you, or the Vice Chairman, in testifying before the House Government Operations Committee, have indicated that the Federal Reserve Act and your interpretation thereof does not allow, through the use of Section 14(b), direct assistance to the City of New York in this instance.

As you know, Section 14(b) states that a Federal reserve bank has the power to: ". . . buy and sell, at home or abroad, bonds and notes of the United States, and bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Federal Reserve Board;"

It seems very clear to us that, contrary to your position, this provision very clearly and specifically allows a Federal Reserve bank to purchase short term obligations of state and local governments issued in anticipation of assured revenues. A reading of the legislative history, in our opinion, is not in accord with your interpretation. Although we disagree as to the interpretation of the legislative history of this section, if you have a formal opinion setting forth the basis for your interpretation, we would welcome an opportunity to examine it.

We can well understand the reluctance of the Federal Reserve or one of its member banks to provide assistance in this instance. However, without clear legislative history to the contrary, we believe it is your obligation to do so. We cannot accept your interpretation of the legislative history of Section 14 (b). The Federal Reserve Act provides authority to the Federal Reserve System to act as the lender of last resort for a bank or banks, and by the same token, and to the same degree, it provides authority to provide assistance to state and local governments, in our opinion.

There seems to be little doubt, as you yourself expressed before the Economic Stabilization Subcommittee of the House Committee on Banking, Currency and Housing, that New York will ultimately be able to work out its problems. The Federal Reserve System could be of infinite help in allowing this to happen, and we would think your obligation as a public servant and as head of the Nation's lender of last resort would mandate. your taking the lead in providing such assistance to New York City.

HENRY B. GONZALEZ,
Member of Congress.

PERSONAL EXPLANATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio (Mr. ASHLEY) is recognized for 5 minutes.

Mr. ASHLEY. Mr. Speaker, during the period from July 14 to October 9 there were 173 recorded votes taken in the House. Of that number I made 160 and missed 13, for a voting attendance record of 92.5 percent.

On July 15 I missed rollcall No. 388 because of a luncheon appointment with a constituent. The vote was on adopting the rule to H.R. 7014, the Energy Conservation and Oil Policy Act, which I would have voted for.

Because of difficulties with the moving company on July 21 when I began moving into my new home, I missed three votes: Rollcall No. 411 on passage of H.R. 6971, to amend the Sherman Antitrust Act; rollcall No. 412 on passage of H.R. 8240, to provide comparability pay for Veterans' Administration physicians and dentists; and rollcall No. 413 on passage of H.R. 8598, to amend the child support program of the Social Security Act. Had I been present, I would have voted for these three bills.

Caught in an accident-caused traffic jam on July 23, I missed the first vote of the day, rollcall No. 420, on an amendment to add $9 million for the wetlands program to H.R. 8773, the fiscal 1976 appropriation for the Interior Department

and related agencies. I would have supported the amendment.

On September 17 I attended a wake for the wife of one of my closest friends and missed rollcall No. 518, an amendment to the Energy Conservation and Oil Policy Act, H.R. 7014, to require Government vehicles to use a mix of gasoline and petroleum substitutes. I would have voted against this amendment. I served as a pallbearer at the funeral on September 19 and missed two procedural votes: Rollcall No. 526, the rule on H.R. 6227, the right of Federal employees to representation while being questioned for misconduct; and rollcall No. 527, the rule on H.R. 5397, a bill to authorize retirement of Federal employees after 30 years of service. I would have voted for both rules.

The previous day, September 18, I was tied up making the final settlement on my new house in the morning and missed rollcall No. 519, the conference report on H.R. 4222, the School Lunch and Child Nutrition Act amendments. I voted for H.R. 4222 when it was first approved by the House and also voted later to override the President's veto. I would have voted for the conference report.

On September 24 I missed a late vote on a motion to recommit H.R. 8121, the State-Justice-Commerce-Judiciary appropriation—rollcall No. 541—because of a longstanding commitment for the evening. I would have voted against this motion.

While consulting with Governor Carey and his staff about the financial problems of New York City on October 1, I missed rollcall No. 571, an amendment to H.R. 9861, the Department of Defense appropriation, to forbid the use of funds to transfer the Navy's oceanographic lab to Mississippi. I would have voted for the amendment had I been present.

En route back to Washington from Toledo on October 3, I missed an early vote on rollcall No. 583, the conference report on H.R. 8070, the HUD appropriation for fiscal 1976. I would have voted "aye."

On October 8 while conferring with officials of the Department of Housing and Urban Development, I missed rollcall No. 600, the rule on H.R. 10029, the military construction appropriation, which I would have supported and rollcall No. 601, on House Concurrent Resolution 424, the Columbus Day recess, which I would have voted against had I been present.

FOR COURAGE IN DEFENSE OF OUR COUNTRY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Massachusetts (Mr. BURKE) is recognized for 5 minutes.

Mr. BURKE of Massachusetts. Mr. Speaker, I would like to bring to my colleagues' attention a piece of much needed legislation, H.R. 8913. This bill which I previously introduced, deals with the upgrading of benefits to recipients of the Congressional Medal of Honor.

As you know, the Medal of Honor is the highest military award for bravery that can be given by the United States. The recipients of the award are truly remarkable Americans who have received this honor for "conspicuous gallantry and intrepidity at the risk of life, above and beyond the call of duty."

On April 27, 1916, by an act of Congress, the recipients of the Medal of Honor were awarded a special pension of $10 per month at age 65 for life. This pension was not increased at all until August 14, 1961, when Congress passed legislation to raise the monthly amount to $100. Not until October 13, 1964, did Congress lower the age for pensions to 50, and finally in 1964, on October 31, Congress eliminated entirely all age requirements for pension benefits.

As we all know, in the span of 14 years from 1961 to the present, the cost of living has skyrocketed and increased many times over. Although the cost of living has gone increasingly upwards, the pension benefits to the Medal of Honor holders has remained the same. Surely, in light of what these outstanding men have done for this country, we are truly justified in raising their monthly benefits, and extending those benefits to their widows.

Currently there are only 294 Medal of Honor holders receiving pension benefits. Raising and extending the benefits of the Congressional Medal of Honor holders in order to help them cope with today's inflation is a very small compensation on our part, considering that these men served this country in a manner that put their own personal lives in jeopardy. It is my sincere hope, that after careful study of the merits of H.R. 8913, my colleagues will give this bill their full support when it comes before the full House for a vote.

PERSONAL EXPLANATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Maryland (Mr. BYRON) is recognized for 5 minutes.

Mr. BYRON. Mr. Speaker, last week when H.R. 8672, the Railroad Improvement and Employment Assistance Act, was before the House, I was recorded on Recorded Vote 640 as having voted against final passage of this important legislation. I intended to support final passage of H.R. 8672, nad I wanted the public record to so indicate.

I appreciate, Mr. Speaker, having had the opportunity to clarify the record regarding my position on H.R. 8672.

TAX JUSTICE FOR TENANTS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Virginia (Mr. HARRIS) is recognized for 5 minutes.

Mr. HARRIS. Mr. Speaker, on October 20, I introduced H.R. 10219, a bill which provides a Federal income tax deduction to tenants for their proportionate share of local property tax payments. By shifting the deduction from landlords to renters, I believe we can promote tax equity without raising taxes for apartment owners. Additionally, this type of legislation is particularly advantageous in several other ways. It will discourage "instant condominiums" by removing an artificial tax stimulus to apartment conversion. It will enhance rental markets and personal savings at a time when many Americans are unable to buy homes. And it could make partners of property owners, tenants, and landlords in keeping local property taxes under control.

Several apartment owner organizations and the National Tenants Organization have expressed an interest in H.R. 10219. Because of the widespread interest in it, I am at this time inserting the bill in the RECORD for the review of my colleagues:

H.R. 10219

A bill to amend the Internal Revenue Code of 1954 to allow a deduction to individuals who rent their principal residences for a portion of the real property taxes paid or accrued by their landlords

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to additional itemized deductions for individuals) is amended by redesignating section 220 as section 221 and by inserting after section 219 the following new section:

"SEC. 220. DEDUCTION OF REAL PROPERTY TAXES IN CASE OF INDIVIDUALS WHO RENT THEIR PRINCIPAL RESIDENCE.

"(a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction the amount of the rent (not otherwise deductible) paid or incurred by the individual during the calendar year in which the taxable year begins for any dwelling unit used by the individual as his principal residence, but only to the extent that such amount does not exceed the individual's proportionate share of the State and local real property taxes (within the meaning of section 164(a)(1))—

"(1) which are imposed on such dwelling unit, or on the building in which such dwelling unit is located, and on the land on which such dwelling unit (or building) is situated, and

"(2) which are paid or accrued during such calendar year.

"(b) PROPORTIONATE SHARE.—

"(1) IN GENERAL.—For purposes of subsection (a), an individual's proportionate share of the real property taxes described in such subsection which are paid or accrued during any calendar year with respect to any dwelling unit shall be an amount equal to—

"(A) the amount of such real property taxes—

"(i) in the case of a dwelling unit located in a building which contains one or more other units, which are attributable to such dwelling unit, or

"(ii) in the case of any other dwelling unit, which are imposed with respect to such unit; multiplied by

"(B) a fraction the numerator of which is the number of days in the calendar year on which such dwelling unit was used by the individual as his principal residence and the denominator of which is the number of days in such calendar year.

"(2) TAXES ATTRIBUTABLE TO CERTAIN DWELLING UNITS.—For purposes of paragraph (1), the amount of the real property taxes described in subsection (a) which are attributable to any dwelling unit located in a building containing one or more units is an amount which bears the same ratio to the aggregate amount of such taxes imposed on

the building and the land on which it is situated as the number of square feet of floor space in such unit bears to the total number of square feet of floor space in all the units in such building. For purposes of the preceding sentence, there shall not be taken into account the amount of any floor space in the building which is a common area or is used by the lessor of such building for purposes of maintenance."

(b) The table of sections for such part VII is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 220. Deduction of real property taxes in case of individuals who rent their principal residence.
"Sec. 221. Cross references."

SEC. 2. The amendments made by the first section of this Act shall apply to rent paid or incurred after December 31, 1975, in taxable years ending after such date.

PERSONAL EXPLANATION

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from New Jersey (Mrs. MEYNER) is recognized for 5 minutes.

Mrs. MEYNER. Mr. Speaker, I was unable to be here today to vote on final passage of H.R. 6227 and H.R. 8835. I was attending a luncheon at the State Department in honor of Egyptian President Anwar Sadat. I would like the RECORD to show that, if I had been present, I would have voted "Aye" on final passage of H.R. 6227, Right to Representation During Questioning, and "Aye" on final passage of H.R. 8835, Truth in Leasing Act.

BOMBS FOR PUBLICITY AND AGAINST PUERTO RICO

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Puerto Rico (Mr. BENITEZ) is recognized for 10 minutes.

Mr. BENITEZ. Mr. Speaker, the self-proclaimed, clandestine group which calls itself the National Liberation Front of Puerto Rico has been at it again; this time with simultaneous bomb explosions in New York, Washington, and Chicago. They have succeeded in attaining all the front-page publicity, including prime radio and TV time, the best attention that crime can buy and which their travesty in collective misrepresentation was meant to receive.

In our perplexed, mystery-ridden, sensation-seeking modern society, the mixture of violence, distortion and technology is at a premium and publicity-wise hits the jackpot particularly when it coincides with a long weekend. Fortunately no lives were lost. But how much of an impact on a distant, vaguely known community do these merchants of deadly fantasies achieve upon the instant reactions of a public little acquainted with basic realities of Puerto Rico? It is as a brief effort at clarification that I speak now.

As the Governor of Puerto Rico, the Honorable Rafael Hernández Colón has stated:

All Puerto Ricans deplore this senseless act of terrorism. It is nonetheless important for Americans to be aware that the FALN is about as representative of Puerto Rico as the Symbionese Liberation Army is representative of the United States.

What is revealing as to the size of the group as well as to the preposterous nature of the National Liberation claim that it speaks or bombs for Puerto Rico is that no one in the United States or Puerto Rico has been able to come across this group of madmen—if they are madmen—in spite of the diligence of the search, the frequency of the acts, and the repetition of the pattern.

We cannot say for certain whether this front, and indeed it acts very much as a front, is made up of a core group of individuals born in Puerto Rico or of Puerto Rican parentage or whether they are acting on their own or in confabulation with anyone else. In a basic sense the question of ethnic origins is irrelevant for there are mad persons everywhere and in all groups. What we say is that we deal here with a group which is decidedly unrepresentative of and hostile to Puerto Ricans from the Island and from the mainland. We say also that there is a highly un-Puerto Rican method in this madness, the technical, professional, cool method of the specialist. It is a method guided neither by love of Puerto Rico or understanding of its people, or by aspiration for their independence or for their well-being.

Quite the contrary. We are faced here with the dynamics of destruction, of self-destruction projected outward against the world from a twisted inner confusion of the psychopath, the misguided, the suicidal or the cynic. Unfortunately this dismal mix of nihilism is afflicting society the world over.

What distresses me as a Puerto Rican, and as one who for almost half a century has been in the forefront of the social, economic, cultural and political debate in Puerto Rico, is that I know, as every Puerto Rican knows, including the less than 5 percent that periodically vote for independence, that each and every one of us enjoys in Puerto Rico a freedom of action and choice commensurate with that enjoyed by any other free people anywhere else in the world, and, of course, a greater freedom and a more effective self-determination than over two-thirds of the people of the world. It is again well known that the highest deterrent in the minds and the hearts of the people of Puerto Rico against independence has been the identification of violence with independence in spite of the freedom of the polls and the repeated reaffirmation of the verdict of free suffrage as the ultimate judge of Puerto Rico's future.

I trust these sporadic criminal acts of violence will be assessed and rejected for what they are: Violations of law, illegitimate attempts at misrepresentation, blows below the belt at the democratic process in Puerto Rico and in the United States.

Is this really a Puerto Rican group? Who is helping them? Where are they hiding? We are not certain as to the real answers to any of these questions. What we do know is that these acts of violence are contrary to the wishes, the interests, and the commitments of the people of Puerto Rico and that if they have any roots in Puerto Rico the Government of Puerto Rico, its citizenry, and its policy are resolutely determined to bring them to the courts of justice.

HOUSE RESOLUTION 791

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan (Mr. DIGGS) is recognized for 5 minutes.

Mr. DIGGS. Mr. Speaker, I endorse House Resolution 791, which strongly condemns the recent vote in the U.N. Third Committee to link Zionism with racism. This vote in the third committee dilutes racism, the most odious form of irrational hostility toward a group known to mankind.

Regrettably, this vote has succeeded in doing what Africans and certain other states hoped to avoid: That is, deflect attention from the U.N. decade against racism. Initially, the Arab States wanted to attach Zionism to a resolution on the decade against racial discrimination condemning apartheid, and other forms of racism. Africans objected because they did not want to weaken the resolution by introducing the Middle East conflict into the debate. As a compromise, the states allowed the Arab nations to propose another resolution that would not be linked to the one on apartheid. Having agreed to consider a separate resolution in order to preserve the integrity of the first, many Africans felt some compulsion to support the new Arab draft. My discussions with Africans suggest that this, plus the residual resentment most African States still harbor against U.S. Ambassador to the U.N., Daniel Moynihan for his totally unwarranted and regrettable indictment of the Organization of African Unity and its member states during a recent speech to the AFL-CIO in San Francisco, principally account for the 24 African votes for the third committee resolution. Therefore, American actions and policies are in part responsible.

As long as the American Government considers a vote against Israel to be a vote against the United States, it must be prepared to recognize that a vote against Israel may be viewed as retaliation against the United States. Given the pivotal importance of the African countries for the passage of resolutions initiated by U.N. member nations, the administration might be well advised to support the U.N. council on Namibia decree No. 1 on the protection of the national resources of Namibia, stop supporting minority rule in South Africa, and take other such actions to clearly indicate its support for the elimination of racial discrimination. In this connection, we should urge all states engaged in military and nuclear energy development cooperation with South Africa, including Israel, France, Germany, and the United States, to stop such cooperation.

It is wrong to confuse Zionism with racism. Racism is the antagonism between peoples of different races. It is ironic that Arabs should vent their hostility toward Jews by implying they are racist, for both Jews and Arabs are descendants of Semites. The issue therefore is political, not racial.

Zionism is a form of nationalism, more specifically irredentism, the desire of a group of dispersed people to come together in one nation. While nationalism can be a positive force, history is rife with examples of how overzealous na-

tionalism can result in expansion and intrusion upon the rights of other states and peoples. It was nascent nationalism and a belief in manifest destiny that caused American settlers to expand westward and take over land of native Americans. In the thirties an excessive Japanese nationalism caused that nation to provoke war with the Russians and later the United States. And it was Boer nationalism that spurred them to make the great trek northward conquering African people in their paths.

Finally, I wish to caution the Congress from taking any precipitous action against the United Nations.

When we complain about the increasing power of the United Nations General Assembly, we must recall that it was a United States maneuver through the uniting for peace resolution in 1950 that gave the assembly a greater role in peacekeeping. Frustrated by persistent Soviet vetoes in the Security Council, our country turned to the General Assembly where we could get support for our policy to intervene in Korea.

When we complain about the so-called "tyrannical majority," we must recall that the United States was in the forefront of efforts by the U.N. and the international community to end the tyranny of colonial domination.

The international community has changed. The period of American hegemony has ended. We must share power and be willing to function in a world and an organization where nations act upon competing interests. To reduce our contribution to the U.N., or indeed to leave it, will not change the present reality or the new international configuration of power.

I hope this resolution is prevented from being considered or defeated in the General Assembly so that the U.N. can continue with the critical issues on its agenda; so that the U.N. can focus on eliminating racism throughout the world.

RODINO URGES ACTION ON GUN CONTROL LEGISLATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey (Mr. RODINO) is recognized for 5 minutes.

Mr. RODINO. Mr. Speaker, the time has come for effective gun control legislation. We cannot afford as a nation to wait any longer.

The need is clear. The gun—the handgun in particular—has been for generations the symbol of the streak of violence which has marred the American character. More than a symbol, the gun has become for many a twisted tool to counter their feelings of insecurity and hostility, and to assert their manhood; it is the chosen weapon of the political assassin; and it is beyond dispute the favorite means whereby criminals gain the upper hand over law-abiding citizens.

In the climate of fear which our epidemic of violent crime has spawned, many decent citizens have purchased handguns they are not trained to use, in the mistaken hope that they can protect themselves and their loved ones.

There can, however, be but one result from the process by which we are rapidly turning our cities into hostile, fearful, armed camps—an escalation of the violence, crime, and death. We must turn back before it is too late.

The easy availability of handguns to those with a penchant for violence has cost us dearly as a nation. Since the unsuccessful attempt on the life of President Andrew Jackson roughly 140 years ago, we have lost four Presidents—Lincoln, Garfield, McKinley, and Kennedy—to assassins' guns. Counting Jackson, five others—including both Roosevelts, Truman, and Ford—have been fired upon but narrowly escaped. We have lost Governors and Senators and other political leaders.

It looks as if it may be impossible to conduct a Presidential campaign without an assassination or an attempt on the life of a candidate. In 2 tragic months in 1968 we lost Martin Luther King, Jr. and Robert Kennedy. In 1972 Governor Wallace was paralyzed for life and almost killed. The 1976 campaign has barely begun, and already there have been two attempts to shoot President Ford.

We have paid even more dearly in the annual toll of murders, robberies, injuries, and accidental deaths attributable to the easy availability of guns to those who never should possess them. In 1973 alone, 31,000 people died in this country from gunshot wounds, countless thousands of others were injured, and there were 267,118 aggravated assaults and robberies reported involving the use or threatened use of firearms.

We are told by the opponents of gun control that the guns themselves are mere innocent tools, that it is people who commit crimes and cause death and injury. Thus, they argue, regulate the criminals, not the guns.

At one level, of course, their premise is literally true. Their argument, however, is plainly nonsense. It is true that guns do not point themselves at robbery victims or shoot innocent persons without some human agency. But the robber, the mugger, the assassin obtains his power over his victim by one means—he possesses a gun. The deranged, the retarded, the sick, the young and the simply untrained are put in a position to inflict tragic injury upon themselves and others simply because there is no restriction upon the availability of guns to them.

Nuclear weapons are mere neutral tools, too. Yet no responsible leader in this country has opposed attempts to limit the mad nuclear arms race in which the world was caught up in the 1950s and 1960s. Tools, particularly destructive tools, create their own dangerous temptations because they are sources of power in the hands of the irresponsible. We are engaged domestically today in an arms race fully as mad as the nuclear arms race. Each year 6.5 million new guns find their way into the hands of our people. The total is now estimated at nearly 200 million, including more than 40 million handguns, the favored weapons of the criminals.

We have not the means to identify with precision those who might use a gun irresponsibly. And even if we could identify them, we cannot without destroying our precious liberties keep all these people isolated in institutions, whether they be labeled penal or medical.

We can, however, strip the would-be killer or robber, or the mentally unbalanced person, of the power which he now possesses over the innocent potential victim. We can control the distribution of the engine of his power.

The Subcommittee on Crime of the Judiciary Committee, under the able leadership of Chairman JOHN CONYERS has with patience and diligence compiled an extraordinary record on the issue of gun control. Over an 8-month period they have held hearings in 6 major cities and heard from experts and advocates of every conceivable point of view on the gun question.

I do not believe it is possible to examine the record of the subcommittee's hearings without concluding that action is imperative, now.

Congressman CONYERS has concluded that it is impossible to make a substantial dent in the incidence of gun-abetted crime and bloodshed without banning entirely the manufacture, sale and possession of handguns in this country. I agree. Accordingly, I support Mr. CONYER'S bill H.R. 9780.

I am, however, at the same time a political realist. I do not believe there are now the votes in Congress to pass this needed legislation. And I believe that significant steps short of a total ban can contribute to a long-range solution. Accordingly, I intend to work closely with Mr. CONYERS and the other members of his subcommittee as they mark up this vital piece of legislation and to make my views known and felt as we move a bill through the full Judiciary Committee and onto the floor of the House.

There are many proposals to be debated and voted on, and I am not in a position to predict what the final bill will look like. However, I am prepared to support the strongest measure we can pass. Specifically, I favor at a minimum, first, much stricter regulation of the commerce in guns than is provided by the 1968 Act; second, a total ban on the manufacture and sale of concealable handguns, so-called "Saturday Night Specials"; third, the establishment of definite federally supervised limitations on who may purchase and possess guns; fourth, the creation of a Federal handgun tracing mechanism; and fifth, a minimum waiting period for the purchase of any weapon under any circumstances, to permit verification of information provided by the purchaser and a "cooling off" period before an angry or unbalanced person can legally take possession of a weapon. Other proposals, such as a severe excise tax on all weapons purchases, may also be worthy of favorable consideration.

The utter insanity of our present system of noncontrol is laid bare by the two recent attempts on the life of President Ford. It is bad enough that a weapon of destruction could find its way into the hands of a person with a history of severe imbalance, an acknowledged devoted follower of one of the most notorious and unrepentant convicted mass

murderers in our history. But the story of how Sarah Jane Moore came into possession of the gun she fired at the President is so eerie and frightening that no novelist would dare have written it. She was identified as an unbalanced person who might be dangerous to the President. Her gun was confiscated on Saturday. On Sunday she was able to purchase another legally, with no strings attached no waiting period, no inquiry, and she made the purchase in the presence of an agent of the very Government agency in charge of administering our so-called gun control laws. By Monday she was waiting, gun in hand, across from the St. Francis Hotel.

This insanity must stop. The power and the responsibility are ours. We cannot in good conscience ignore them.

A final word of caution. We politicians have oversold our programs too often. As a result our credibility is tarnished and the public is cynical about the legislation we pass. I do not blame them. We must not repeat the same mistake here. Short of a total ban on manufacture, sale and possession of handguns, no legislation can truly put an end to the easy availability of these cheap and concealable weapons to the criminals and the unbalanced among us. But we can make a start, a contribution, an improvement. None of the measures I have discussed will make it impossible for an assassin or a criminal to obtain a gun. But we can, over time, make it considerably harder. And by legislating now and arousing the public consciousness of this issue, we may make it possible to pass more effective legislation in the future.

Because we cannot now do more, we cannot responsibly do less.

NEW YORK FINANCIAL CRISIS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. WOLFF) is recognized for 15 minutes.

Mr. WOLFF. Mr. Speaker, I would first like to commend my distinguished colleagues from New York for reserving this time for discussion of this most complex problem. We have permitted partisan politics to cloud this issue to the extent that we are content to ignore the nationwide ramifications of a New York City default.

The potential consequences of a New York City default reach far beyond the confines of the city limits. For its own part, New York State has become involved to the extent that a city default could likely precipitate a State default. The implications of such a default on the national economy are ominous: Last year New York State and local government expenditures accounted for about 13.2 percent of all State and local government expenditures. Capital expenditures amounted to some 12.4 percent of such outlays for all State and local governments. These expenditures reach far beyond State boundaries, creating jobs and income for people in all parts of the Nation. What we cannot lose sight of is that this multiplier effect holds true for virtually all State and municipal expenditures, and a sudden curtailment of these expenditures nationwide will precipitate unemployment and welfare problems the likes of which this country has not experienced since the Great Depression. How can we ignore projections which tell us that State and local government expenditures will account for over 10 percent of the increase in total gross national product for the next fiscal year? The importance of maintaining the ability of our States and local governments to borrow funds for these expenditures is absolutely necessary if we are to continue on the road of economic recovery.

At the heart of the problem is the stability of our capital markets, for without municipal access to these markets there can be no funds for municipal expenditures in excess of minimal operating revenues. Capital markets do not operate in a vacuum; their strength is derived wholly from investor confidence. That confidence has undeniably been shaken by the threat of a New York City default. If Congress permits a default by refusing to act, what confidence remains will surely be dissipated. Investors will be able to recover most of their money if default occurs; but the question is whether they will again risk their money in the municipal capital markets. As a result there will be at best a highly restrictive capital market for municipalities with interest rates reaching unheard of heights. In some cases there is likely to be no market whatsoever. This is a situation which the country cannot tolerate.

For those who doubt that investor confidence is lacking outside New York City, they only need to look at the city of Buffalo, N.Y. What in other times would have been characterized as a routine bond offering bordered on a crisis situation. In 6 short months interest charges for Buffalo increased by 3 percentage points. The cost to the taxpayers of such an increase is over $300,000 for each $1 million borrowed on a 15-year bond issue. The impact of such increased borrowing costs nationwide will run into billions of dollars. In August, the Massachusetts Housing Finance Agency, which had offered bonds at 4.14 percent in February, was unable to find purchasers at 10 percent. The list of affected borrowers grows every week.

When municipalities cannot raise sufficient revenue in the capital markets many of the programs which we designed to help these local governments will go untapped or abandoned. We cannot ignore the fact that we have required municipalities to raise significant amounts of money in order to qualify for Federal funds under a variety of programs. By refusing to restore investor confidence the Congress is undercutting the very programs it designed and implemented to facilitate local as well as national economic recovery.

What we have to do, and do now, is act to restore investor confidence in the municipal capital market. What confidence will we instill if we wait until New York City and probably New York State default before we act? Every day we delay costs the taxpayers millions of dollars; every day we delay we tighten the noose around our municipal access to capital; every day we delay jeopardizes our economic recovery and threatens our future economic stability. This is not a partisan issue as some would have us believe, it is a matter of national importance which will not wait for another day. We have the power and the ability to restore investor confidence. While it is certainly New York which will be the visible beneficiary of our action, it is the Nation which we will save from disaster. We cannot lose sight of this fact.

A NEW DIRECTION—DAY TREATMENT AND IN-HOME SERVICES FOR CHILDREN AND FAMILIES IN TROUBLE

(Mr. KOCH asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. KOCH. Mr. Speaker, every year, hundreds of thousands of children who suffer from mental and emotional disabilities, who have run afoul of the law, or who are unmanageble in the home or in school, are wrenched from their families and communities and placed in institutional settings. This occurs without regard to their educational and psychological needs and at a tremendous expense to society. In New York State alone, some 50,000 children are in care outside of their own homes. Nationally the number exceeds 300,000. While some youngsters must be institutionalized in order to protect their own health and safety and the safety of the community, many of those now in institutions could have remained with their own families and in their own communities if appropriate educational and psychological services were provided to them and if, as necessary, additional services were provided to keep the family intact. The extent of inappropriate placement was recently documented in a study commissioned by the New York State Board of Social Welfare. It concluded that 55.3 percent of the children in foster care in New York City were initially assigned to the wrong kinds of programs.

For several years now, professionals in the mental health and child care fields have endorsed the establishment of day treatment and in-home services. But as yet most States and localities have failed to develop alternatives to institutional foster care. Nor has Federal support been forthcoming in the form of incentive funding mechanisms. Rather than await action by individual States and localities, I believe it is time for a national response to what is certainly a national need.

Hence, I am today introducing legislation which authorizes State and local child welfare agencies to furnish federally reimbursable day treatment and in-home services to children and families in trouble. My bill—entitled the Community Based Day Treatment and In-Home Services for Children and Families Act—amends title IV–B of the Social Security Act to provide 90 percent Federal matching and an annual transitional authorization of $50 million for a period of 2 years. These fiscal incentives are imperative, in my judgment, if we are to reduce the overwhelming emphasis on institutional foster care.

Because a premium is now placed on institutionalization of children, my legislation also mandates that no child be placed in a foster home, institution, or residential facility except where such placement is determined to be the "treatment of choice" by the State or local agency after exploring all feasible day treatment or in-home service alternatives. An exception is also granted when such placement is court ordered or when a child's continued presence in the home constitutes a threat to his or her welfare. In so stipulating, it is not my intention to foreclose to child welfare agencies the option of placing a child in an institution if this is the most appropriate resolution. Rather, it is to insure that the agency responsible for the final placement fully explore the feasibility of day treatment or in-home services before committing a child to such placement.

The legislation also contains provisions:

First, authorizing the provision of day treatment or in-home services to a child or family experiencing problems which such services might assist in resolving or to a child or family where parental difficulties jeopardize the welfare or safety of the child.

Second, defining "day treatment services" to specifically include psychiatric, psychological, social casework, educational, vocational, recreational, health, transportation, and child-care services, and any other services which are furnished a child or family with the intent of preventing the child's institutionalization or placement outside the home.

Third, defining "in-home services" to specifically include homemaking, housekeeping and counseling services, and any other services which are furnished in the home and are aimed primarily at the family unit with the intent of keeping and counseling services, and any other services which are furnished in the home and are aimed primarily at the family unit with the intent of keeping the family structure intact or reuniting a separated family.

Fourth, lodging responsibility for day treatment and in-home services with the State and local agency charged with administering a State plan or with service providers licensed by the State authority that has responsibility for establishing and maintaining standards for such services.

Fifth, providing that eligibility for service in a community based day treatment facility shall be authorized by a duly licensed social service or mental health agency and further approved within 30 days of utilization by the local authority in the form of a three-person panel.

Sixth, requiring that in the event of placement of a child in a foster home, institution or residential facility, the State or local agency shall evaluate the continued appropriateness of the placement no less than once each 6 months to determine if the conditions justifying placement still exist.

Seventh, revising the title IV–B allocation formula from one based on per capita income and population to one based exclusively on population.

Eighth, requiring maintenance of effort by States using title IV–B to fund nonfoster care programs and other administrative costs or title XX to provide similar programs of day treatment or in-home services.

Ninth, providing for the imposition of fees for services for families whose gross income exceeds 115 percent of a State's median income except where services are directed at the goal of preventing or remedying child abuse or neglect.

Tenth, providing that services may be furnished in the form of emergency cash grants when a State-licensed provider is not available or when other circumstances, as defined by the Secretary, require it.

While considerable strides have been taken in the provision of humane, rehabilitative, and fiscally sound programs for children and families in trouble, the day treatment and in-home services outlined in my bill, promise to provide better service at lower cost and with less disruption to the family and community, than any program yet devised.

Day treatment and in-home services help protect the integrity of the family unit: With the current massive disintegration of families in our society, it must be a high priority of Government to prevent the separation of children from their families.

Day treatment and in-home services are preventive services in that they provide early intervention for troubled children and their families. The recent enormous increase in juvenile delinquency and adolescent emotional disturbance, and the treadmill quality of the juvenile justice system, require that every effort be made to intervene with troubled children and their families before that trouble erupts in delinquent or other maladaptive behavior.

Day treatment and in-home services offer the opportunity for a quicker more effective return of an institutionalized child to his or her community. At present, because of the overcrowding of institutions and the justifiable emphasis on the preservation of child and family rights, many children are returned to the community too soon. Though they are no longer in need of full residential care, they are not ready to resume their place in society. Day treatment, in particular, serves as an intermediate stage for the effective deinstitutionalization of children by supplying those supportive services without which the child would soon return to the institution. Day treatment replaces the current "revolving door" which often condemns a child to a life in institutions with a deliberate plan of sequenced return to the community.

Finally, and so importantly in this time of fiscal pressure upon Government, private agencies, and families, day treatment offers better services at much lower cost than any other treatment program available.

At the Jewish Board of Guardians, a large child mental health agency in New York City which operates both residential and model day treatment programs, the average cost per child in the residential programs is $28,000 per year. In the day treatment programs, the average cost per child is $11,000 per year. Similar disparities occur in the programs operated by the Euphrasian Residences of Catholic Charities of New York.

The comparative cost of caring for a child in New York City in different settings is illustrated below:

Category of service, approximate cost, and Federal-State-local share of cost.

1. Institutional foster care, $15,000–28,000/child/yr., under title XX 75%12.5%/12/5%.

2. non-institutional foster care, i.e., with foster family, $5,000/child/yr., under title XX 75%/12/5%/12/5%.

3. AFDC grant to AFDC parent, $600/child/yr., under title IV–A 50%/25%/25%.

If the children currently in residential care in New York State alone were found eligible for and provided with day treatment programs, a saving of $40 million per year could be realized. Across the Nation, a saving of perhaps as much as $200 million could result. Even in juvenile detention centers, whose educational and psychological services are totally inadequate, the average cost per child across the Nation is greater than the cost of day treatment. Based upon the Law Enforcement Assistance Administration estimates, juvenile detention now costs $14,000 per child. As much as $100 million per year could be saved if day treatment services were provided to children now in juvenile detention centers.

Of course, day treatment, as the treatment of choice for certain delinquent and disturbed children, must rest upon a structure of carefully developed eligibility criteria and upon timely and deliberate review of referral decisions. Appropriate local and State agencies, as well as licensed mental health professionals, must be involved in the development and implementation of criteria and admission and discharge processes. More immediately, I am seeking the comments and criticism of child welfare agencies and experts from across the country in an effort to perfect this legislation.

Mr. Speaker, I firmly believe that day treatment and in-home services offer us a great opportunity to preserve the family, prevent serious delinquency and maladjustment, and remove children from inappropriate institutional settings, all at a greatly reduced cost to the taxpayer. For these reasons, humane and fiscal, I propose that the Nation make day treatment programs and in-home services a major component of its services for children and families in trouble—and I offer this bill as a primary step in that direction.

A BILL TO PROVIDE DAY TREATMENT AND IN-HOME SERVICES FOR CHILDREN AND FAMILIES IN TROUBLE

(Mr. KOCH asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. KOCH. Mr. Speaker, I am introducing today a bill to provide under the child welfare services program supportive day treatment and in-home services to children and families. I am setting forth the bill in the RECORD so as to encourage those familiar with the problem to ex-

amine it and make proposals which will make it an even better one. The bill follows:

H.R. 10383

A bill to amend part B of title IV of the Social Security Act to provide, as the primary form in which services are to be furnished under the child-welfare services program, for supportive day treatment and in-home services to children and families.

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 "Community-Based Day Treatment and In-Home Services for Children and Families Act".

SEC. 2. (a) The Congress finds that services to children and families in trouble have in the past generally been limited to two options—office and clinic visits, or total removal of a child from the home and community through some form of residential placement—but that many children could remain in their homes with intact families if substantial programs of day treatment and in-home services to children and their families were available.

(b) The Congress further finds that day treatment and in-home arrangements offer the advantage of enabling children to remain in their homes while receiving necessary services, thereby avoiding costly and unnecessary foster care placement and providing a transitional means for children already in foster care to return at a much earlier date to their homes and communities. In addition, day treatment and in-home services programs would permit early intervention with appropriate services to remedy the problems of the child and his family, would promote stabilization and prevent the breakup of the family, would promote the early return of a child to his or her family from residential placement, and would involve lower costs than 24-hour residential placement; and children with severe behavioral problems can often be handled more effectively in day treatment and in-home services programs than in 24-hour residential care.

SEC. 3. Part B of title IV of the Social Security Act is amended by adding at the end thereof the following new section:

"DAY TREATMENT AND IN-HOME SERVICES

"SEC. 427. (a)(1) Sums appropriated pursuant to section 420 and allocated under section 421 shall be available for and used by cooperating State agencies in the provision of day treatment and in-home services to children and families in accordance with this section.

"(2) In addition, the sum of $50,000,000 is authorized to be appropriated for each of the first two fiscal years ending after the date of the enactment of this section for use by cooperating State agencies in the provision of day treatment and in-home services to children and families in accordance with this section.

"(b) Notwithstanding any other provision of this Act, amount made available to a State for the provision of day treatment and in-home services under its State plan in accordance with this section may be used to pay up to 90 percent of the cost of providing such services.

"(c) Day treatment and in-home services may be provided under a State plan developed as provided in section 421 (without regard to income) to any child or family experiencing problems which such services would assist in solving, and to any other child or family where (in the judgment of the State or local public agency responsible for administering or supervising the administration of the plan) parental difficulties may jeopardize the physical, emotional, or psychological condition of the child; but—

"(1) any fee or charge imposed for such services upon a family (or member of a family) whose monthly gross income is less than 80 percent of the median income of a family of four in the State (as promulgated under the last sentence of section 2002(a)(6) and adjusted in accordance with regulations prescribed by the Secretary to take into account the size of the family) shall be consistent with such requirements (including requirements prohibiting the imposition of any fee or charge) as the Secretary shall prescribe to assure that the objectives of this part are carried out; and

"(2) fees or charges reasonably related to family income shall be imposed for such services, other than services directed at the goal of preventing or remedying neglect, abuse, or exploitation of children, upon any family (or member of a family) whose monthly gross income is 115 percent or more of the median income of a family of four in the State (as so promulgated and adjusted). Fees and charges imposed for services provided under this section may be different for different services, but in any event may not exceed the costs of the services involved and must be positively related to the ability of the recipient to pay; and no such fee or charge may be designed to discourage the utilization of needed services.

"(d) Day treatment and in-home services under this section shall be furnished by the State or local agency responsible for administering or supervising the administration of the State plan, or (under contract with such agency) by providers of services which are licensed by the State authority designated as responsible for establishing and maintaining standards for such services and to which individuals are referred for such services by that agency; except that when services are urgently needed but there is no licensed or approved provider immediately available, or when justified by other special circumstances (as defined by the Secretary), such services may be furnished in the form of emergency cash grants to such extent and on such terms and conditions as may be permitted under regulations prescribed by the Secretary.

"(e) Notwithstanding any other provision of this part, no payment may be made for treatment or services under this section for any period unless the Secretary shall have determined, on the basis of reports submitted by the State agency and such other evidence as the Secretary may consider relevant, that—

"(1) State and local efforts in the provision of child-welfare services (other than those to which this section applies), during such period, have not been reduced by reason of the enactment of this section or limited to take account of the availability of assistants under this section; and

"(2) State and local efforts in the provision of services under title XX of the type to which this section applies, during such period, have not been reduced by reason of the enactment of this section or limited to take account of the availability of assistance under this section.

"(f) For purposes of this section, the term 'child' includes any individual under the age of 21."

SEC. 4. Section 425 of the Social Security Act is amended—

(1) by striking out the heading and inserting in lieu thereof "Definitions";

(2) by inserting "(a)" immediately after "SEC. 425.";

(3) by inserting "(including day treatment and in-home services)" after "public social services"; and

(4) by adding at the end thereof the following new subsection:

"(b) For purposes of this title, the terms 'day treatment services' and 'in-home services' include any of the services otherwise provided for in or under this part which are available to a child or family in accordance with his or its needs for periods of less than 24 hours in any single day. The term 'day treatment services' specifically includes psychiatric, psychological, social casework, educational, vocational, recreational, health, transportation, and child care services, and any other services which are furnished a child or family in the home or through community-based services with the intent of preventing the child's institutionalization or other placement outside the family, except where such institutionalization or placement is in the child's best interest. The term 'in-home services' specifically includes homemaking, housekeeping, and counseling services, and any other services which are furnished in the home and are aimed primarily at the family unit with the intent of keeping the family structure intact or reuniting a separated family."

SEC. 5. (a) Section 422(a)(1) of the Social Security Act is amended—

(1) by striking out "and" at the end of subparagraph (B); and

(2) by adding after subparagraph (C) the following new subparagraph:

"(D) provides (notwithstanding any other provision of this section) that (i) no child will be placed in a foster home, institution, or other residential facility for the provision of services unless (I) the State or local agency responsible for administering or supervising the administration of the plan determines, after exhausting all feasible alternatives to placement, that such placement is the 'treatment of choice' or determining that the child's continued presence in the home or family would constitute a threat to his or her welfare or safety or the safety of the community, or (II) such placement has been ordered by a court of competent jurisdiction; (ii) if the child is placed in a foster home, institution, or other residential facility under such circumstances such agency will evaluate the continued appropriateness of the placement determination no less often than once each six months in order to determine whether the conditions which required his or her placement in such a home or facility still exist; and (iii) eligibility for any services in a community-based day treatment or preventive service facility shall be authorized by an appropriately licensed social service or mental health agency and further approved, within 30 days of the utilization of such services, by a local public authority having three members one of whom is a qualified psychiatrist, and".

(b) Section 422(a) of such Act is further amended by adding at the end thereof the following new sentence: "The State or local agency responsible for administering or supervising the administration of the plan shall from time to time submit to the Secretary detailed reports indicating the steps being taken to explore feasible alternatives to placement (and the various types of alternative arrangements being considered) in connection with the placement of children in foster homes, institutions, and other residential facilities in accordance with paragraph (1)(D)."

SEC. 6. Section 2002(a) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(14) No payment may be made under this section with respect to any expenditure for the provision to any individual or family of services which would constitute 'child welfare services' for purposes of part B of title IV and which involve the placement of a child in a foster home, institution, or other residential facility unless (A) the State has determined after exhausting all feasible alternatives to placement that such placement is the 'treatment of choice', or determines that the child's continued presence in the home or family would constitute a threat to his or her welfare or safety or the safety of the community, and (B) if the child is placed in a foster home, institution, or other residential facility under such cir-

cumstances such agency will evaluate the continued appropriateness of the placement determination no less often than once each six months in order to determine whether the conditions which required his or her placement in such a home or facility still exist. The State shall from time to time submit to the Secretary detailed reports indicating the steps being taken to explore feasible alternatives to placement (and the various types of alternative arrangements being considered) in connection with the placement of children in foster homes, institutions, and other residential facilities in accordance with this paragraph.

SEC. 7. (a) Section 421 of the Social Security Act is amended by striking out "as the product of" and all that follows and inserting in lieu thereof "as the population of such State under the age of 21 bears to the total population of the United States under such age.".

(b) Section 423 of such Act is amended—

(1) by striking out subsection (a);

(2) by striking out "as the per capita income of such State bears to the per capita income of the United States" in subsection (b) and inserting in lieu thereof "as the population of such State under the age of 21 bears to the total population of the United States under such age";

(3) by striking out "and allotment percentage" in subsection (c);

(4) by striking out "average per capita income" in subsection (c) and inserting in lieu thereof "under-21 population"; and

(5) by redesignating subsections (b), (c), and (d) as subsections (a), (b), and (c), respectively.

SEC. 8. Section 402(a) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (26);

(2) by striking out the period at the end of paragraph (27) and inserting in lieu thereof "; and"; and

(3) by adding after paragraph (27) the following new paragraph:

"(28) provide that the State agency will (A) exhaust all feasible alternatives to placement of a child in a foster home, institution, or other residential facility before placing or approving the placement of such child in such a home, institution, or facility, and (B) submit to the Secretary periodic reports indicating the steps being taken to explore such alternatives (and the various types of alternative arrangements being considered) in connection with the placement of children in such homes, institutions, and facilities.".

SEC. 9. The amendments made by this Act shall apply with respect to calendar quarters beginning on or after the date of the enactment of this Act.

CONTEMPT CITATION IN ORDER FOR SECRETARY OF COMMERCE MORTON

(Mr. KOCH asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. KOCH. Mr. Speaker, on October 9, I wrote to Department of Commerce Secretary Rogers Morton urging him to cease his Department's policy of aiding the Arab boycott of Israel which is in violation of the express public policy of the United States. The Subcommittee on Oversight and Investigations of the House Interstate and Foreign Commerce Committee requested Secretary Morton to make available to the committee boycott information in his possession pursuant to the Export Control Act of 1969. The Commerce Department has been circulating Arab invitations for American companies' bids; many of these invitations include anti-Israel and anti-Jewish boycott provisions. Although the 1969 law expressly forbids trade boycotts, the Secretary, by his actions, continues to encourage the Arab boycott.

In dispute is a confidentiality section of the Export Control Act. This provision permits the Secretary to withhold from the public certain confidential information. Secretary Morton claims this section permits him to withhold information from the subcommittee and Congress; the subcommittee says it does not. It would be bizarre that Congress would pass a law that permits the executive branch to withhold information from the Congress. The subcommittee is not requesting this information due to any capricious whim, the subcommittee wishes to thoroughly investigate the boycott situation and determine if, and to what extent, legislation is needed and laws have been broken.

In response to my letter and other congressional inquiries, Secretary Morton claims the committee-requested information, if made public, might cause the involved companies "serious economic harm." He apparenlty does not consider what harm his Department's participation in the boycott is doing to this country's integrity and morality. Secretary Morton states that his refusal to meet the committee's request is not tacit support of the Arab boycott. But, indeed, it is. He is aiding and abetting that boycott.

Secretary Morton requested Attorney General Edward H. Levi's opinion of this matter and, admittedly, the Attorney General concluded that the committee's subpena does not force the Secretary to divulge the requested material. On the other hand, Raoul Berger, Philip Kurland, Norman Dorsen, three experts in the field of constitutional law, testified before the subcommittee that by defying the subpena, Secretary Morton is in contempt of Congress. On the idea that Congress would pass a law to withhold information from itself, Professor Kurland states:

I should think the presumption would go in the opposite direction. . . . [T]he Congressional function of oversight and investigation is a power and duty of primary importance to our constitutional system.

Assume that there are conflicting interpretations as to what the law says, should not the Secretary err on the side of civil liberties, morality, and integrity and do all he can against the boycott?

Secretary Morton in his letter to me "welcomes judicial review of the legal issues presented" and, should the courts rule against him, he will "promptly provide the requested documents." But is this not a scene we have played before? The characters are different—a Commerce Subcommittee instead of the Judiciary, a Cabinet Secretary instead of a President—the words, the actions are the same. Have we learned nothing? Does Secretary Morton and the executive branch intend to divulge information to the Congress only upon court order?

Secretary Morton welcomes judicial review? I urge it. I urge the Subcommittee on Oversight and Investigations to press this matter expeditiously and bring this issue before the courts. The Congress should take the Secretary at his word and move to hold him in contempt so as to have the court determine whether he has performed his obligations of office nobly or ignobly.

I have appended a copy of Secretary Morton's reply to my letter.

THE SECRETARY OF COMMERCE,
Washington, D.C., October 2, 1975.

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

DEAR CONGRESSMAN KOCH: This is in further response to your letter of September 5, 1975, in which you urged me to reconsider my declining to provide to the Subcommittee on Oversight and Investigations of the House Interstate and Foreign Commerce Committee copies of all reports of boycott-related requests filed since 1970 with the Department of Commerce in accordance with the Export Administration Regulations.

I want to assure you that I have the utmost respect for the Congress and for the House, of which I was a member for many years, and that my decision not to disclose these documents was not arrived at lightly, but after full consideration of the legal issues involved, and of the factors which I considered relevant in evaluating what would be in the national interest.

Enclosed for your information is a copy of my statement before the Subcommittee on September 22, in which I fully explained my reasons for declining the Subcommittee's request, as well as copies of my letters on this subject to Chairman Moss and to Chairman Staggers, dated July 24 and August 22. Also, please find enclosed a copy of the opinion of the Attorney General, dated September 4, 1975, which discusses the legal basis for my declining this request.

During my appearance on September 22 before the Subcommittee on Oversight and Investigations, I stated that I would welcome judicial review of the legal issues presented and that, if the courts found that the confidentiality provisions of Section 7(c) of the Export Administration Act of 1969 do not apply to requests by Committees of Congress, I would promptly provide the requested documents. However, until such time as the courts have so ruled, I sincerely believe that compliance with the Subcommittee's request would be a violation of the law which I am charged to administer and of the oath of office which I took when I became Secretary of Commerce.

Sincerely,

ROGERS MORTON,
Secretary of Commerce.

FEDERAL BACKING OF NEW YORK'S SECURITIES IS CRITICAL FOR NATION'S ECONOMY

(Mr. OTTINGER asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. OTTINGER. Mr. Speaker, although the city of New York was saved at the very last minute from going into financial default last week, the specter of this disastrous event still haunts us. While city and State officials have indicated they are willing to take those necessary steps to bring the city's financial house in order, such action cannot be taken without the active participation of the Federal Government.

What is really at stake is not the future fiscal condition of New York City or

New York State but the ability of every municipality in this Nation to finance its own operations. There is no question that if New York City goes bankrupt, municipal borrowing everywhere will not only be more difficult and expensive than it is now, but will become either impossible or exorbitant. Thousands will be added to the unemployment rolls. Municipal and school construction will stop.

The President's shortsighted view of this truly national economic emergency cannot be emulated in the Congress.

New York City is not seeking to be "bailed out." It does not seek a penny of additional aid. It seeks merely the Federal Government's backing of its securities until such time as investor confidence can be restored.

The ramifications of a default by New York City are very aptly described in an editorial in the October 22 Washington Star. Observing that the objective of Federal aid is neither to defend the reputations of city and State officials in New York nor to protect the welfare of the 8 million citizens of New York, the Star editorial very properly concludes that—

The main concern is to save the nation the uncounted billions a New York collapse could cost.

Because of the misinformation and confusion which some seem to find in this issue, I insert the Star editorial herewith and commend it to the attention of our colleagues:

[From the Washington Star, Oct. 22, 1975]

NEW YORK MUST BE RESCUED

As New York City wobbled at the edge of financial default the other day, the nation was forced to reflect on what that event would mean. All but the most politically distorted analyses are anything but comforting.

During the hours that Albert Shanker of the Teachers Union haggled with city and state officials before releasing $150 million in pension funds to buy bonds of the state's Municipal Assistance Corporation, the tremors in the financial world were impressive. The stock markets went on a roller-coaster ride, bond trading came to a virtual halt, currency exchange in Europe was at a standstill and the international price of gold rose, reflecting loss of confidence in the dollar.

These tremblings only hint at the quake that might follow on actual default—meaning the city's inability even with state backing to raise new money to meet scheduled payments on old debt. Experts differ in their assessments of how severe the shocks would be from a default on the scale of New York's. But this pessimistic view is worth contemplating on the chance it is the correct one:

New York's bankruptcy would make municipal borrowing more difficult everywhere, and drive up the interest rates on bonds at the expense of all local taxpayers. Banks holding large amounts of the defaulted notes and bonds would be endangered. Bank-rescue efforts by the Federal Reserve could compromise its control of the money supply. The city and its region would be thrown into economic depression, with effects rippling elsewhere. Investor confidence would be generally shaken, for business as well as municipal purposes. The nation's recovery from the recession would be jeopardized. The costs of all that trouble would dwarf the amounts involved in the New York financial crisis.

Such dangers are minimized by Treasury Secretary William Simon, whose view presumably governs President Ford's resistance to a federally sponsored solution and the President's political exploitation of New York's difficulty. Rather than a potential disaster of national scope, Mr. Ford sees in New York's profligate example a fine opportunity to preach governmental thrift.

Vice President Rockefeller's apparent departure from the Ford line, to voice conditional support for federal help to the city, may herald an ultimate concession by the administration to the need of staving off default. The specter looms again in the first week of December, the next deadline for city-state refinancing in money markets that regard the risk as prohibitive.

Congress is split on the issue of a "bailout," with the representatives of distant constituencies detecting no interest at home in helping New York. It is essential, therefore, that Mr. Ford perceive the national stake and back legislation to head off a municipal collapse of far-reaching consequences.

The most promising route is the provision of federal loan guarantees predicated on strict austerities to return New York to financial health within a few years. If the plan is well executed, the rescue should cost federal taxpayers nothing.

The motive for a federal rescue is not to save the hides of New York's city and state officials. And it is not just to protect the welfare of 8 million New Yorkers, though that is important. The main concern is to save the nation the uncounted billions a New York collapse could cost.

VIRUSES IN WATER

(Mr. GUDE asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. GUDE. Mr. Speaker, in a period of rapidly expanding scientific knowledge, and growing technology which puts newly developed knowledge to practical use, we in Congress have an obligation to keep abreast of developments which can benefit our Nation. In no area is this more true than in the field of sanitary engineering in providing, efficiently and economically, safe wholesome water for recreation and drinking.

To this end, I would like to bring to my colleagues' attention a paper by Prof. Joseph L. Melnick, a distinguished virologist and epidemiologist at Baylor College of Medicine in Houston, Tex.

In particular, Professor Melnick's conclusion concerning the refining of water is most significant:

With water in short supply, we shall have to abandon the concept of wastewater treatment plants, of plants that often send polluted effluents and truly wasted waters into the rivers and oceans at a rate exceeding nature's ability to replenish the fresh water supply. Effluents can now be prepared free of infectious agents, and this water should be recognized by society as a resource to be recycled and used again. For too long we have left recycling to chance. We must now introduce to society the concept of the water refinery, which will accept crude water and make it pure and safe for human consumption.

These developments should be kept in mind as we consider authorization and appropriations which deal with the matter of water supply and sewage treatment. I commend Professor Melnick's article to my colleagues' attention:

VIRUSES IN WATER, PRESENTED JUNE 1974 AT THE INTERNATIONAL CONFERENCE ON VIRUSES AND WATER

(By Joseph L. Melnick)

On behalf of the Scientific Program Committee, it is my pleasure to acknowledge the support and foresightedness of a number of organizations. This International Conference was sponsored by the American Public Health Association with the support of a grant from the Carborundum Company and with the cosponsorship of WHO, PAHO and the Mexican Office of Environmental Improvement. We were fortunate in being able to hold our meeting in Mexico to make our deliberations more readily accessible to all of Latin America. However, it is obvious from the program that many of the speakers and participants were here from the Eastern Hemisphere also, for the subject of viruses in water is of importance to people in all parts of the world, and much important work is being done in Europe, in Africa and in Asia.

Water problems may vary in different countries, but all will agree that water problems exist now even in the most advanced countries and it takes little foresight to realize that the problems will become even more critical in the not too distance future. A timely article appeared in the June 1974 issue of Consumer Reports by Harris and Brecher. As they aptly point out:

Almost everyone supposes that community water systems are under continuous surveillance by competent state and local health officials, that water samples are scrupulously tested at frequent intervals, that any flaws in a water system will be soon discovered and corrected—and that the water we drink therefore must be safe. Unfortunately, almost everyone supposes wrong.

True, cities in the US no longer suffer from recurring large-scale epidemics of typhoid, cholera, dysentery, and other waterborne bacterial infections. It was those epidemics, with their ghastly death tolls traceable to drinking water, that forced the establishment of community water supplies during the past century. Then-new water systems worked quite well against the hazards they were meant to alleviate. But today, many of the same water systems are outdated, dilapidated, substandard in important respects and barely able to meet peak demands.

Their design is primitive, and they are typically staffed by people trained in an outmoded tradition or not trained at all. As the level of pollution has risen in our sources of raw water, the techniques employed to make that polluted water safe for human consumption have become less and less adequate.

Experience has shown that community water supplies must be tested at frequent intervals if intermittent bacterial contamination is to be discovered. Bacteriological tests are primarily designed to identify coliform bacteria—the types of bacteria found in feces and soil. The standards do not require a total absence of coliforms; a moderate count is permitted. A well-operated water treatment plant can do considerably better than the standards require.

Furthermore, we now know that coliform counts do not correlate with virus counts. We have had many samples in our laboratory negative for coliforms that were positive for human pathogenic viruses.

The sanitary engineers who built the early community sewage and water systems did not know about viruses, which is understandable, but many modern sanitary engineers still do not know about viruses, which is neither understandable nor excusable. No accepted standards have been set for viruses in recreational or drinking waters, although standards have been proposed, based on present monitoring technology for virus detec-

tion. As our detection and monitoring methods improve, we have the obligation to assure members of society that the water they drink is free not only from pathogenic bacteria but from viruses as well.

Viruses occur in water, and waterborne outbreaks of viral diseases have been well-documented. If a virus infection has a short and uniform incubation period, and produces a characteristic, easily recognizable disease, carriage of the virus by water routes can be traced with a fair degree of accuracy.

In contrast to diseases whose spread can be traced in this fashion, the characteristics of many viral diseases are such that their transmission by water is very difficult to recognize. Viruses whose spread is difficult to trace include those viruses which produce clinically observable illness in only a small fraction of the persons who become infected, those viruses which produce diseases with widely variable incubation periods, and those viruses which are easily spread by direct human contact.

MONITORING STANDARDS FOR VIRUSES IN WATER

Even though water transmission is often difficult to trace, the presence of viruses in sewage effluent, in streams, and in other waters cannot be viewed with equanimity. New methods capable of detecting viruses in large fluid volumes are now available, and the time seems to have arrived for setting standards of permissible virus content of waters. Based on the then available technology, I suggested four years ago at the University of Illinois Conference on Water Quality that the following standards be set: a maximum of one detectable infectious virus unit per 10 gallons of recreational water and a maximum of one infectious virus per unit of 100 gallons of drinking water. As our methods for detecting and monitoring water supplies have continued to improve, I would suggest that we can do better, and raise the standards to a maximum of one infectious virus per 1,000 gallons of drinking water.

There are some who say that until we determine the precise concentration of specific viruses in water that can produce disease, we should continue to monitor only for bacteria to assure that community water passes the present bacteriologic standards. They say that we do not have enough information to set virus standards. However, I believe that we should raise our sights, and accept the principle that the community is entitled to drink water that is as free from virus as modern technology can provide. The cost is not that great.

PERSONAL HISTORY RELATING TO VIRUSES IN WATER

We learn from our experiences. My own experiences in the laboratory studying viruses in water serve to illustrate how this field has moved in one lifetime.

Thirty years ago, I carried out studies on the effect of chlorine on the only enteroviruses known at the time—polioviruses. I elected to use natural polioviruses, i.e. viruses present in feces of paralyzed poliomyelitis patients. Until that time, studies had been carried out only on viruses passed in laboratory animals. Even recent studies continue to use viruses grown in tissue culture rather than viruses as they exist in nature. Our studies showed that viruses present in 10 percent centrifuged suspensions of stools from poliomyelitis patients withstood a chlorine dose of 120 ppm, and a chlorine residual value of 15 ppm after a contact period of 10 minutes. Furthermore, we showed that added organic matter was markedly protective. Even when sufficient chlorine had been added to meet the additional demand, the residual chlorine levels had to be increased as much as 10 to 18 times to inactivate the same amount of virus as in the suspension prior to the addition of the extra organic load. The findings still serve to emphasize the caution which must be exercised before attempting to carry over laboratory findings on inactivation of polioviruses by chlorination to nature.

During the period 1940–45, I was engaged in detecting polioviruses in the East River of New York City (see Fig. 1). At the time, poliomyelitis was considered to spread by person to person contact, and it was felt that these viruses could not be effective if outside the human body. We learned otherwise.

Once each month, I would take the train from Yale University in New Haven, where I worked, to New York City, fill my gallon jug with sewage effluent as it entered the East River and return to New Haven. I believe that these were the only samples of water in the world studied for viruses during that period. Those were the days before tissue culture, but even then we were concerned with improvement of methods for concentrating and purifying the viruses so that the concentrate could be injected into our test animal: one sample per monkey. Instead of one or two-day test, we had to follow the monkey daily for four to five weeks for muscle weakness, then remove its brain and spinal cord, and examine them in thin sections under the microscope for lesions of poliomyelitis. What did we learn?

We learned that polioviruses could be detected in sewage effluents, particularly in the late summer and fall, when cases were at a maximum in the city. We learned that the method of virus concentration was crucial for viruses to be detected. We learned that viruses may be continually present in sewage for long periods of time—over 17 weeks in 1944. We also learned that an appreciable part of the normal population was infected with polio-viruses each summer and fall. When the rate of clinical cases of poliomyelitis in Manhattan varied from 0.6 to 4.6 per 100,0000 per month, the intestinal carrier rate was 1,000 times greater, namely, about 6 percent of the population. We learned this from estimating the amounts of viruses in the flowing sewage ($20x10^6$ monkey-paralyzing doses per hour of flow) and the amount excreted per day per person (10^4 monkey-paralyzing doses).

As our knowledge of viruses developed in the 1940's, we participated in the discovery and identification of the coxsackieviruses, then the echoviruses, and then to the enterovirus concept. Only this year, we accepted a new enterovirus, type 70, as a member of the group. This virus has not appeared as yet in the Western Hemisphere, but in the past few years, it has produced millions of cases of epidemic hemorrhagic conjunctivitis in Asia and Africa.

To return to our early studies of enteroviruses in sewage, we carried out consecutive studies on the prevalence of these newly discovered enteroviruses from 1949 through 1952 in domestic sewage in six areas of the US (see Fig. 2). In every urban area studied, viruses appeared in the specimens collected in the summer and fall, and then virtually disappeared during the winter and spring. It was only a rare winter specimen that yielded viruses. Even though the methods were crude by today's standards, viruses were recovered in more than 50 percent of the samples collected.

In general, the coxsackieviruses isolated yielded only myositis in test mice. However, a number of strains were neurotropic and myotropic, and others produced lesions only in the brains of mice. Today, tests for enteroviruses are virtually limited to cheaper tissue culture systems and such viruses may be missed.

In Muskegon, MI, where 34 strains of viruses were isolated in one year, 26 belonged to a single antigenic type. In other areas, strains belonging to two different virus types were found in the same specimen in eight of 80 isolates studied for this purpose. In Topeka, KS, a large number of coxsackieviruses were recovered through the summer and fall of one year, but those isolated in the summer belonged to a single antigenic type, while those isolated in the fall belonged to a second antigenic type. Thus, the persistence of a virus for several months in a residential area, or its reappearance after a short period, may be due to the serial waves of infection by new types of viruses rather than to recurring dissemination of the original virus.

Living through the explosive waterborne outbreak of viral hepatitis in India was an unforgettable experience which I have documented elsewhere. Waterborne outbreaks of hepatitis have been observed, but none have been of the scale of the epidemic which occurred during December, 1955, and January, 1956, in Delhi. During the epidemic period, I was fortunate to be in India, working as a staff member of the Rockefeller Foundation at the Virus Research Center in Poona. I was invited to Delhi to participate in virologic studies of the epidemic. During the epidemic there were about 35,000 cases giving a case rate of 2,000 per 100,000 in the single month of the epidemic.

The geographic distribution of cases, together with the explosive nature of the outbreak, indicated that the infectious agent was disseminated in the population by means of the water supply. The contamination of the water supply by sewage had actually taken place over a period of one week, and occurred six weeks before the peak of the epidemic. During the period of contamination, the water was treated with high doses of chlorine, but this failed to prevent the epidemic. This lesson remains with me today.

DETECTION AND REMOVAL OF VIRUSES IN WATER

In recent years, the interest of our laboratory, as well as of others, has been focused on improving methods for detection of viruses in water. It is the sensitivity and reliability of these methods that now should permit the setting of virus standards for drinking water. The need exists, for enteroviruses have already been recovered from the city drinking water of more than one country.

The next phase is the use of our technology to remove or to inactivate viruses wherever they occur in water—either in sewage effluents to avoid contamination of our water systems, or in water treatment plants.

WATER REFINERIES

The concept of refineries is well established in my home state of Texas, but they usually refer to oil. "With water in short supply, we shall have to abandon the concept of wastewater treatment plants, of plants that often send polluted effluents and truly wasted waters into the rivers and oceans at a rate exceeding nature's ability to replenish the fresh water supply. Effluents can now be prepared free of infectious agents, and this water should be recognized by society as a resource to be recycled and used again. For too long we have left recycling to chance. We must now introduce to society the concept of the water refinery, which will accept crude water and make it pure and safe for human consumption." Much remains to be done. The state of the art, and in some cases the state of the science of water reclamation, will be described and discussed in chapters that follow.

RECOMMENDATIONS

With the aid of participants at the Conference, recommendations have been prepared. Too often a group of experts assemble, exchange information and then depart. This time a path of action has been charted that should direct us toward the solutions of the problems associated with the limited supply of water for human use on this single globe we call Earth.

AMENDING THE IMMIGRATION AND NATIONALITY ACT TO FACILITATE THE REUNIFICATION OF FAMILIES

(Ms. HOLTZMAN asked and was given permission to extend her remarks at this point in the RECORD and to include extraneous matter.)

Ms. HOLTZMAN. Mr. Speaker, I have introduced, today, legislation to remedy a particularly cruel inequity in the Immigration and Nationality Act.

Our immigration laws seek to facilitate the reunification of families. In furtherance of this humanitarian end, the laws give certain preferences to the immigration of minor children of American citizens and permanent residents.

This laudable purpose is frustrated because a child's age is determined as of the time a petition or visa is approved, rather than when application is made. In many countries, particularly in the Western Hemisphere, it may take several years before a visa becomes available. Bureaucratic delay adds to the wait. Thus a child may be 16 when he or she applies for a visa, but may turn 21 and lose eligibility before a visa is granted.

The legislation I have introduced today will remedy this pointless and unfair result. My bill provides that, for the purposes of preference under the immigration laws, a child's age is counted as of the date a visa application or relative petition is filed. In this way, no family will be divided and no child denied admission to the United States simply because of redtape or the length of the wait for a visa.

The text of the bill follows:

H.R. 10403

A bill to amend the Immigration and Nationality Act to provide that the age of a child shall be determined as of the date a petition for preference status or immediate relative status is filed by or in behalf of such child, or if no such petition is filed, as of the date an application for an immigrant visa is made by or in behalf of such child.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 101(b)(1) of the Immigration and Nationality Act (8 U.S.C. 1101(b)(1)) is amended by inserting at the end thereof the following:

"For purposes of this paragraph, the age of a child shall be determined—

"(i) as of the date a petition is filed by or in behalf of such child for classification as a preference immigrant under section 203 (a) or for classification as an immediate relative under section 201(b); or

"(ii) if no such petition is filed, as of the date an application for an immigrant visa is made by or in behalf of such child under section 222."

(b) Subparagraph (F) of section 101(b)(1) of the Immigration and Nationality Act (8 U.S.C. 1101(b)(1)(F)) is amended by striking out ", under the age of fourteen at the time a petition is filed in his behalf" and inserting in lieu thereof "under the age of fourteen, in behalf of whom a petition is filed".

GRAIN PRICES BREAK AGAIN—ANOTHER HARVEST FROM THE RUSSIAN GRAIN DEAL

(Mr. MELCHER asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. MELCHER. Mr. Speaker, U.S. grain producers reaped another big harvest from the Russian grain deal in the markets yesterday.

Wheat prices at Chicago dropped 11 cents per bushel, corn went down more than 6 cents. Soybeans for November delivery went down 18 cents per bushel.

I am including in the RECORD the New York Times article on the markets for Monday, October 27, but I would like to call attention to the fact that, cumulatively, since the announcement, the farmers' harvest from the Russian grain deal to date is a decline of more than 30 cents per bushel for wheat; about 18 cents per bushel for corn, and 45 cents per bushel on soybeans.

It was claimed that the deal would bring stability to the farmers' markets. If this is someone's idea of stability, I can assure him that producers do not appreciate it.

December wheat closed at $4.12 per bushel in Chicago on Monday, October 20, the day before the big deal was announced. It closed at $3.80 yesterday—down 32 cents per bushel.

December corn was $2.93 per bushel the day before the big deal. It closed at $2.75 per bushel in Chicago yesterday, down 18 cents.

November soybeans closed at $5.24 per bushel the day before the Russian deal was announced. They closed at $4.79 per bushel yesterday, down 45 cents per bushel.

This is the farmers' harvest to date from the Russian grain deal which has not yielded us a drop of oil.

On Wednesday, October 22, I put in the RECORD the figures on the first-day drop in grain prices after the big deal's announcement. For those who wish to see exactly what the Ford-Kissinger-Butz interference in the free world markets has done for farmers, I suggest they compare the market report at page 33714 of the RECORD with the one which follows these remarks.

GRAIN FUTURES DECLINE SHARPLY: FALL LAID TO REPORTS OF A PILEUP OF CORN AND SOYBEANS

(By Elizabeth M. Fowler)

Contracts for grains and soybeans dropped sharply yesterday on the Chicago Board of Trade, amid reports that the record corn crop and the abundant soybean crop are being piled up outside already-filled grain elevators, along railroad sidings, and even on streets in small Midwest towns.

Corn for December delivery dropped more than 6 cents a bushel to $2.75, a year ago it was $3.63. Soybeans for January delivery dropped about 17 cents to close at $4.90½, well under the $7.77 for such a contract a year ago.

Wheat, which was fully harvested months ago, closed at $3.80 for December delivery, down about 11 cents, compared with a year-ago price of $5.12. Last year's higher prices were influenced by small crops resulting from drought conditions.

The market was also depressed by lack of further news about Soviet purchases in addition to those announced last week.

A Department of Agriculture report that Soviet sunflower production was sharply lower had little effect on the soybean market, according to commodity experts, who said the news had been discounted for some time. Soybean oil competes with sunflower oil. In times of shortage the Soviet Union buys soybeans as replacement, and this year they have made some substantial purchases of soybeans from Brazil.

MONDAY, OCT. 27, 1975

	Open	High	Low	Close	Prev.
Wheat:					
December	3.88	3.88½	3.78	3.80	3.91
March	4.04	4.04	3.92½	3.93½	4.06
May	4.06	4.07	3.97½	3.97½	4.08
July	4.04	4.04	3.92½	3.96	4.07½
September	4.07	4.09	3.99	4.02	4.13
Corn:					
December	2.77½	2.79	2.75	2.75	2.81½
March	2.88	2.88	2.84	2.84½	2.90½
May	2.93	2.93	2.88	2.00½	2.94½
July	2.92½	2.93	2.89	2.89½	2.95½
September	2.84	2.85½	2.83	2.84½	2.86
December	2.78½	2.79	2.75	2.75½	2.80½
March				2.81	2.85½
Soybeans:					
November	4.92	4.92	4.76½	4.79	4.97
January	5.01	5.03½	4.88¾	4.90½	5.07
March	5.16	5.16	5.01½	5.01½	5.22
May	5.23	5.24	5.08½	5.10	5.27
July	5.30	5.30	5.17	5.17	5.36
August	5.32	5.32	5.20	5.20	5.41
September	5.25	5.25	5.20	5.20	5.40
November	5.37	5.37	5.22	5.22	5.42
January	5.36	5.36	5.34	5.34	5.55

U.S. SUPPORT OF SINAI ACCORD PROMOTES WORLD PEACE

(Mr. MIKVA asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. MIKVA. Mr. Speaker, during the past 6 weeks, the American people and their representatives in Congress have debated various aspects of the interim peace accord between Israel and Egypt. The backdrop for this debate has been Vietnam and the whole series of misadventures and tragedies that characterized U.S. policy in Indochina.

There are lessons to be learned from the Indochina War. It is probably true that those who do not learn from history are condemned to repeat it. But it is important that the right lessons be learned and that superficial similarities are not confused with major differences.

Public discussion and debate have demonstrated, I believe, that an American commitment to the Israel-Egypt peace accord is justified and that such a commitment in no way represents the "ghost of Vietnam." Furthermore, the preoccupation by some with the mistakes of the past has tended to obscure the importance of the peace accord as not only a long-awaited breakthrough to peace in the Middle East, but as an effort in American diplomacy which can restore the United States to its role as a moral leader in the world arena.

Much of the public discussion has ignored the need of the United States to exercise decisive leadership on behalf of world peace. Rather, the focus has been on the American commitment to send 200 civilians to operate early-warning stations between the Israel and Egyptian lines. These civilian volunteers, who are to play a neutral role as agreed to by both Israel and Egypt, have been compared by some critics in the United States to the "American advisers" sent to "advise" the South Vietnam military in the early 1960's.

These advisers, however, were always partisans, never neutrals, and their presence always symbolized an underlying, fundamental problem of the entire Vietnam war—the issue of U.S. legit-

imacy in South Vietnam and, later, throughout Indochina.

Unlike Vietnam, the role of 200 neutral American technicians has been agreed to by two of the major antagonists in the Middle East. Both Isarel and Egypt have requested and sanctioned the clearly limited role of the 200 civilian Americans. The legitimacy of this American presence is underscored by the fact that now, for the first time in almost 30 years, at least an interim peace has been established between Israel and Egypt.

The historic peace accord would not have been possible without the willingness of the United States to take an active, responsible role. This world we live in is a small one, and there are no Gibraltars. However much we might wish to dissociate ourselves from the world's problems, we cannot. Yet, we have learned that the United States may not be able to solve every world problem, that there are limits to what this country can do.

But there is a responsibility, as well as a self-interest, I believe, for the United States to seek opportunities for peace. And such an opportunity has been created in the Middle East, where the United States has historically played a major role.

The interim peace accord deserves the support of Congress and the American people. I realize that the accord marks only the beginning and that the road ahead is paved with obstacles. But a start has been made which only a few months ago seemed impossible. In the months ahead, it will be the responsibility of Congress and the American people to continue to scrutinize the details of any further peace-keeping commitments by the United States. And that scrutiny should be based not only on the lessons of history but on a vision of the future, not only on peace accords that failed but on peace accords that may yet flourish.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows to:

Mr. SARASIN (at the request of Mr. RHODES), on account of a death in family.

Ms. ABZUG (at the request of Mr. O'NEILL), for this week, on account of death in the family.

Mr. ANNUNZIO (at the request of Mr. O'NEILL), for this week, on account of a necessary absence.

Mr. GREEN (at the request of Mr. NIX), for October 28 and 29, 1975, on account of official business outside the country.

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. STEELMAN) to revise and extend their remarks and include extraneous material:)

Mr. COLLINS of Texas, for 30 minutes, on October 29, 1975.

Mr. BOB WILSON, for 10 minutes, today.

Mr. MCKINNEY, for 15 minutes, today.

Mr. QUILLEN, for 30 minutes, on October 29, 1975.

(The following Members (at the request of Mr. MCDONALD of Georgia) to revise and extend their remarks and include extraneous material:)

Mr. GONZALEZ, for 5 minutes, today.

Mr. ASHLEY, for 5 minutes, today.

Mr. DELANEY, for 5 minutes, today.

Mr. BURKE of Massachusetts, for 5 minutes, today.

Mr. BYRON, for 5 minutes, today.

Mr. ASPIN, for 10 minutes, today.

Mr. HARRIS, for 5 minutes, today.

Mr. MEZVINSKY, for 5 minutes, today.

Mrs. MEYNER, for 5 minutes, today.

Mr. BENITEZ, for 10 minutes, today.

Mr. DIGGS, for 5 minutes, today.

Mr. RODINO, for 5 minutes, today.

Mr. BAUCUS, for 10 minutes, October 29, 1975.

Mr. RYAN, for 20 minutes, today.

Mr. WOLFF, for 15 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. ROUSSELOT to extend his remarks immediately preceding vote on H.R. 8835.

(The following Members (at the request of Mr. STEELMAN) and to include extraneous material:)

Mr. HEINZ.

Mr. KEMP in three instances.

Mr. STEELMAN.

Mr. CRANE.

Mr. GUDE in two instances.

Mr. GRADISON.

Mr. COLLINS of Texas.

Mr. KASTEN in three instances.

Mr. HASTINGS.

Mr. GRASSLEY.

Mr. FRENZEL in three instances.

Mrs. PETTIS in three instances.

Mr. MCCLOSKEY.

Mr. SYMMS in four instances.

Mr. SHUSTER.

Mr. FINDLEY.

Mr. FISH.

Mr. DERWINSKI in two instances.

Mr. MCCLORY.

Mr. BOB WILSON.

Mr. MCKINNEY.

Mr. RHODES.

(The following Members (at the request of Mr. MCDONALD of Georgia), and to include extraneous matter:)

Mr. ANNUNZIO in six instances.

Mr. ANDERSON of California in three instances.

Mr. GONZALEZ in three instances.

Mr. NOWAK.

Mr. NATCHER.

Mr. DE LUGO.

Mr. BEARD of Rhode Island.

Mr. BADILLO.

Mr. BALDUS.

Mr. HARRINGTON.

Mr. WAXMAN.

Mr. GAYDOS.

Mr. MACDONALD of Massachusetts.

Mr. EVINS of Tennessee in five instances.

Mr. FORD of Michigan.

Mr. LA FALCE.

Mr. BAUCUS in three instances.

Mr. BINGHAM in 10 instances.

Mr. EDWARDS of California.

Ms. ABZUG.

Mr. MCDONALD of Georgia in five instances.

Mr. SCHEUER.

Mrs. SCHROEDER.

Mr. BURKE of Massachusetts.

Mr. MOFFETT.

Mr. BYRON.

Mr. ECKHARDT.

Mr. DELANEY.

Mr. TEAGUE in five instances.

Mr. WON PAT in two instances.

Mr. MAGUIRE.

Mr. BOLAND.

Mrs. BURKE of California.

Mr. DELLUMS.

Mr. MAZZOLI.

Mr. RYAN.

Mr. POAGE.

Mr. THOMPSON in 10 instances.

(The following Members (at the request of Mr. SCHEUER) and to include extraneous matter:)

Mr. ROYBAL.

Mr. THOMPSON in 10 instances.

Mr. RUSSO.

Mr. RANGEL in seven instances.

Mr. WIRTH.

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 follow:

S. 2310. An act to provide authority to institute emergency measures to minimize the adverse effects of natural gas shortages, to provide authority to allocate propane, to regulate commerce to assure increased supplies of natural gas at reasonable prices for consumers, and for other purposes; to the Committee on Interstate and Foreign Commerce.

BILL PRESENTED TO THE PRESIDENT

Mr. HAYS of Ohio, from the Committee on House Administration, reported that that committee did on October 24, 1975, present to the President, for his approval a bill of the House of the following title:

H.R. 4799. An act to amend sections 6, 306, and 308 of the Rural Electrification Act of 1936, as amended.

ADJOURNMENT

Mr. SCHEUER. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 9 o'clock and 23 minutes p.m.) the House adjourned until tomorrow, Wednesday, October 29, 1975, 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:

1931. A letter from the President of the United States, transmitting requests for supplemental appropriations for the legislative branch for fiscal year 1973, fiscal year 1976, and the transition quarter (H. Doc. No. 94-288); referred to the Committee on Appropriations and ordered to be printed.

1932. A letter from the Secretary of Transportation transmitting a report on negotiated

contracts for experimental, developmental, test or research work, or for industrial mobilization in the interest of the national defense, covering the period April 1 through September 30, 1975, pursuant to 10 U.S.C. 2304(e); to the Committee on Armed Services.

1933. A letter from the Attorney General transmitting his annual report on the enforcement of title II (Extortionate Credit Transactions) of the Consumer Credit Protection Act of 1968, covering fiscal year 1975, pursuant to section 203 of the act; to the Committee on Banking, Currency and Housing.

1934. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of Council Act No. 1–56, "To extend the moratorium on the conversion of rental unit properties into horizontal property regimes," pursuant to section 602(c) of Public Law 93–198; to the Committee on the District of Columbia.

1935. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of Council Act No. 1–57, "To authorize the issuance of $50,000,000 General Obligation Bonds of the District of Columbia to refund certain loans made to the District from the United States Treasury," pursuant to section 602(c) of Public Law 93–198; to the Committee on the District of Columbia.

1936. A letter from the Deputy Director, Office of Management and Budget, Executive Office of the President, transmitting a report on recommendations and actions related thereto contained in the annual report of the National Advisory Council on Supplementary Centers and Services on title III of the Elementary and Secondary Education Act, dated February 1973, pursuant to section 6(b) of the Federal Advisory Committee Act; to the Committee on Government Operations.

1937. A letter from the Assistant Secretary of the Interior, transmitting a draft of proposed legislation to authorize the Secretary of the Interior to carry out certain international activities; to the Committee on Interior and Insular Affairs.

1938. A letter from the Secretary of the Treasury, transmitting the interim report of the Department of the Treasury on its study of foreign direct portfolio investment in the United States, pursuant to section 10 of Public Law 93–479; to the Committee on International Relations.

1939. A letter from the Secretary of Commerce, transmitting the interim report of the Department of Commerce on its study of foreign direct investment in the United States, pursuant to section 10 of Public Law 93–479; to the Committee on International Relations.

1940. A letter from the Director, Defense Security Assistance Agency, transmitting notice of the intention of the Department of the Army to offer to sell certain defense services to Saudi Arabia, pursuant to section 36 (b) of the Foreign Military Sales Act, as amended; to the Committee on International Relations.

1941. A letter from the Secretary of Transportation, transmitting the comments and recommendations of the Department of Transportation on the initial proposal of the National Railroad Passenger Corporation setting forth criteria and procedures under which the Corporation would be authorized to add or discontinue routes and services, pursuant to section 404(c)(2) of the Rail Passenger Service Act, as amended (89 Stat. 91); to the Committee on Interstate and Foreign Commerce.

1942. A letter from the Chairman, Interstate Commerce Commission, transmitting the comments and recommendations of the Commission on the initial proposal of the National Railroad Passenger Corporation setting forth criteria and procedures under which the Corporation would be authorized to add or discontinue routes and services, pursuant to section 404(c)(2) of the Rail Passenger Service Act, as amended; to the Committee on Interstate and Foreign Commerce.

1943. A letter from the Executive Director, Federal Communications Commission, transmitting a report on the backlog of pending applications and hearing cases in the Commission as of August 31, 1975, pursuant to section 5(e) of the Communications Act, as amended; to the Committee on Interstate and Foreign Commerce.

RECEIVED FROM THE COMPTROLLER GENERAL

1944. A letter from the Comptroller General of the United States, transmitting a report on the status, progress, and problems in Federal agency accounting during fiscal year 1975; to the Committee on Government Operations.

1945. A letter from the Comptroller General of the United States, transmitting a report on improvements needed in the Federal Maritime Commission's financial disclosure system for employees; jointly, to the Committees on Government Operations, and the Judiciary.

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. TEAGUE: Committee on Science and Technology. H.R. 3118. A bill to amend the Clean Air Act so as to assure that aerosol spray containers discharging chlorofluoromethane compounds in the ambient air will not impair the environmental ozone layer, to prevent any increased skin cancer risk, and otherwise to protect the public health and environment with amendment (Rept. No. 94–575, Pt. I). Ordered to be printed.

Mr. MURPHY of Illinois: Committee on Rules. House Resolution 827. Resolution providing for the consideration of H.R. 10024. A bill to extend the authority for the flexible regulation of interest rates on deposits and share accounts in depository institutions, to extend the National Commission on Electronic Fund Transfers, and to provide for home mortgage disclosure. (Rept. No. 94–590). Referred to the House Calendar.

Mr. BOLLING: Committee on Rules. House Resolution 828. Resolution providing for the consideration of H.R. 10049. A bill to increase the temporary debt limitation until March 31, 1976 (Rept. No. 94–591). Referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE 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. RUSSO: Committee on the Judiciary. H.R. 1758. A bill for the relief of Terrence Jarome Caguiat; with amendment (Rept. No. 94–576). Referred to the Committee of the Whole House.

Mr. DODD: Committee on the Judiciary. H.R. 2495. A bill for the relief of Miss Malgorzata Kuzniarek Czapowski (Rept. No. 94–577). Referred to the Committee of the Whole House.

Mr. FISH: Committee on the Judiciary. H.R. 2940. A bill for the relief of Maria Sylvia Macias Elliott (Rept. No. 94–578). Referred to the Committee of the Whole House.

Mr. FISH: Committee on the Judiciary. H.R. 2941. A bill for the relief of Susan Rosemary Harwood (Rept. No. 94–579). Referred to the Committee of the Whole House.

Mr. RUSSO: Committee on the Judiciary. H.R. 5052. A bill for the relief of Yolando E. Vez; with amendment (Rept. No. 94–580). Referred to the Committee of the Whole House.

Mr. DODD: Committee on the Judiciary. H.R. 7882. A bill for the relief of Miss Leonor Young; with amendment (Rept. No. 94–581). Referred to the Committee of the Whole House.

Mr. FISH: Committee on the Judiciary. H.R. 7908. A bill for the relief of Edward Drag; with amendment (Rept. No. 94–582). Referred to the Committee of the Whole House.

Mr. EILBERG: Committee on the Judiciary. H.R. 1394. A bill for the relief of Suk Chin and Hae Suk Chin (Rept. No. 94–583). Referred to the Committee of the Whole House.

Mr. EILBERG: Committee on the Judiciary. H.R. 1395. A bill for the relief of Mee Kyung Cho and Hee Kyung Cho; with amendment (Rept. No. 94–584). Referred to the Committee of the Whole House.

Mr. EILBERG: Committee on the Judiciary. S. 1653. An act for the relief of Sun Yang Kim and Sun Mi Kim; with amendment (Rept. No. 94–585). Referred to the Committee of the Whole House.

Mr. EILBERG: Committee on the Judiciary. H.R. 8907. A bill for the relief of Yong Won Lee. (Rept. No. 94–586). Referred to the Committee of the Whole House.

Mr. EILBERG: Committee on the Judiciary. S. 55. An act for the relief of Dino Mendoza Pascua; with amendment (Rept. No. 94–587). Referred to the Committee of the Whole House.

Mr. EILBERG: Committee on the Judiciary. S. 447. An act for the relief of Jesus Cortez Pineda; with amendment (Rept. No. 94–588). Referred to the Committee of the Whole House.

Mr. EILBERG: Committee on the Judiciary. S. 605. An act for the relief of Heung Soon Kim; with amendment (Rept. No. 94–589). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. ANDERSON of California (for himself, Mr. JOHNSON of Pennsylvania, Mrs. SPELLMAN, Mr. COCHRAN and Mrs. HOLT):

H.R. 10368. A bill to amend section 552a of title 5, United States Code, to permit Members of Congress to receive information from Federal agencies regarding individuals; to the Committee on Government Operations.

By Mr. ANDERSON of California (for himself, Mr. SARASIN, Mr. CARNEY, Mr. HELSTOSKI, Mr. BUCHANAN, Mr. NOWAK, Mr. MOSHER, Mr. DOWNEY of New York, Mr. EILBERG, Mr. COTTER, Mr. BROWN of California, Mr. GIBBONS, Mr. MCHUGH, Mr. YOUNG of Florida, Mr. SARBANES, Mr. YATES, and Mr. DE LUGO):

H.R. 10369. A bill to discourage the use of painful devices in the trapping of animals and birds; to the Committee on Merchant Marine and Fisheries.

By Mr. CHAPPELL (for himself and Mr. FREY):

H.R. 10370. A bill to amend the act of January 3, 1975, establishing the Canaveral National Seashore; to the Committee on Interior and Insular Affairs.

By Mr. ARCHER (for himself, Mrs. SPELLMAN, and Mr. STEELMAN):

H.R. 10371. A bill to amend the Internal Revenue Code of 1954 with respect to the tax treatment of small business investment companies and their shareholders; to the Committee on Ways and Means.

By Mr. BADILLO (for himself, Mr. CONYERS, Mr. BROWN of California, Mr. HARRINGTON, Mr. HAWKINS, Mr. SCHEUER, Mr. HELSTOSKI, Mr. ROYBAL, Mr. OTTINGER, Mr. RODINO, Mr. DELLUMS, and Mr. STARK):

H.R. 10372. A bill to provide for the establishment in selected cities and localities of pilot homestead programs under which publicly owned structures will be made available to tenant cooperatives for use in providing low- moderate-income housing; to the Committee on Banking, Currency and Housing.

By Mr. BOLLING:

H.R. 10373. A bill to establish rules and procedures for the congressional review (and possible disapproval) of biennial balanced economic growth plans, and for other purposes; to the Committee on Rules.

By Mr. BROOKS:

H.R. 10374. A bill to amend section 2301 of title 44, United States Code, to change the membership of the National Archives Trust Fund Board; to the Committee on Government Operations.

By Mr. DAVIS:

H.R. 10375. A bill to amend title 10 of the United States Code to make individuals eligible for medical care in facilities of the uniformed services for injuries incurred during inactive-duty training and travel to and from such training; to the Committee on Armed Services.

By Mr. EDWARDS of Alabama:

H.R. 10376. A bill to deny Members of Congress any increase in pay under any law passed, or plan or recommendation received, during a Congress unless such increase is to take effect not earlier than the first day of the next Congress; to the Committee on Post Office and Civil Service.

By Mr. FAUNTROY (for himself, Mr. BIESTER, Mr. DIGGS, Mr. FLORIO, Mr. GUDE, Mr. MCKINNEY, Ms. MEYNER, Mr. NOWAK, Mr. STUCKEY, and Mr. WHALEN):

H.R. 10377. A bill to extend as an emergency measure for 1 year the District of Columbia Medical and Dental Manpower Act of 1970; to the Committee on the District of Columbia.

By Mr. GUDE:

H.R. 10378. A bill to require that a judge sentencing a person convicted of a felony in the Superior Court of the District of Columbia consult with other judges of such court with respect to the appropriate sentence to impose on such person; to the Committee on the District of Columbia.

By Mr. HAGEDORN:

H.R. 10379. A bill to amend section 5051 of the Internal Revenue Code of 1954 (relating to the Federal excise tax on beer); to the Committee on Ways and Means.

By Mr. HARRINGTON:

H.R. 10380. A bill to establish a Solar Energy Loan Administration to assist homeowners in purchasing and installing solar heating or combined solar heating and cooling equipment, including solar hot water systems, by providing low-interest long-term loans; to the Committee on Banking, Currency and Housing.

By Mr. HEINZ:

H.R. 10381. A bill to establish a National Commission on Victimless Crimes; to the Committee on the Judiciary.

By Mr. HELSTOSKI:

H.R. 10382. A bill to provide immunity from prosecution and punishment to those persons who, because of disapproval of the military involvement of the United States in Indochina during the period from August 4, 1964 to March 28, 1973, resisted the draft, were absent from the Armed Forces without leave, or disobeyed certain orders, and for other purposes; to the Committee on the Judiciary.

By Mr. KOCH:

H.R. 10383. A bill to amend part B of title IV of the Social Security Act to provide, as the primary form in which services are to be furnished under the child-welfare services program, for supportive day treatment and in-home services to children and families; to the Committee on Ways and Means.

By Mr. LAFALCE (for himself, Mr. BADILLO, Mr. BEARD of Rhode Island, Mr. BRODHEAD, Mrs. CHISHOLM, Mr. EILBERG, Mr. GUDE, Mr. HARRINGTON, Mr. NOWAK, Mr. REES, Mr. RODINO, Mr. RYAN, Mr. STARK, Mr. TSONGAS, Mr. YOUNG of Georgia, Mr. ZEFERETTI, and Ms. ABZUG):

H.R. 10384. A bill to preserve older urban neighborhoods by assisting units of general local government in carrying out neighborhood preservation and rehabilitation programs which, in conjunction with special programs of Federal mortgage insurance, give reasonable promise that a suitable and stable living environment will be restored or maintained; to the Committee on Banking, Currency and Housing.

By Mr. LEHMAN:

H.R. 10385. A bill to amend title 39, United States Code, to provide that buildings constructed for use by the U.S. Postal Service shall be designed and constructed in a manner making them accessible to the physically handicapped; to the Committee on Post Office and Civil Service.

By Mr. LITTON:

H.R. 10386. A bill to amend title XX of the Social Security Act to require that State social services plans comply with the Federal Interagency Day Care Requirements, subject to the existing penalties (termination of Federal payments or 3-percent reduction therein) in cases of noncompliance; to the Committee on Ways and Means.

By Mr. MATSUNAGA:

H.R. 10387. A bill to provide for the safeguarding of taxpayer rights, to restrict the authority for inspection of Federal tax returns and the disclosure of information derived from such returns, to clarify the authority of the Comptroller General to oversee the administration of the internal revenue laws, and for other purposes; to the Committee on Ways and Means.

By Mr. NOWAK:

H.R. 10388. A bill to amend the Bankruptcy Act to provide emergency relief under certain circumstances to political subdivisions who are creditors of railroads; to the Committee on the Judiciary.

By Mr. OTTINGER:

H.R. 10389. A bill to prohibit discrimination on the basis of affectional or sexual preference, and for other purposes; to the Committee on the Judiciary.

By Mr. OTTINGER (for himself, Mr. PATTISON of New York, and Ms. HOLTZMAN):

H.R. 10390. A bill to require that buildings financed with Federal funds utilize the best practicable measures for the conservation of energy and use of solar energy systems; to the Committee on Public Works and Transportation.

By Mr. PRICE (for himself and BOB WILSON) (by request):

H.R. 10391. A bill to amend title 10, United States Code, to remove chaplains from under the cognizance of the Chief of Naval Personnel; to the Committee on Armed Services.

By Mr. RODINO (by request):

H.R. 10392. A bill to amend chapter 40, title 18, United States Code, to authorize the destruction of explosive materials subject to seizure and forfeiture where it is impractical or unsafe to remove the materials to a place of storage or where such materials cannot be safely stored; to the Committee on the Judiciary.

H.R. 10393. A bill to to amend section 1114 of title 18 of the United States Code to include officers and employees of the Bureau of Alcohol, Tobacco and Firearms; to the Committee on the Judiciary.

By Mr. SATTERFIELD:

H.R. 10394. A bill to amend title 38 of the United States Code to promote the care and treatment of veterans in State veterans' homes; to the Committee on Veterans' Affairs.

By Mr. SHIPLEY:

H.R. 10395. A bill to amend the Regional Rail Reorganization Act of 1973 to permit the analysis of light density railroad lines on the basis of their costs and benefits, to aid in the transition to the final system plan by assuring the continuation of local freight services and rail passenger and commuter services, to provide assistance and additional time for the States to prepare their State rail plans, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. SLACK:

H.R. 10396. A bill to provide additional penalties for the use of firearms in the commission of certain crimes of violence; to the Committee on the Judiciary.

By Mr. BROWN of Michigan (for himself, Mr. HAMMERSCHMIDT, Mr. BURGENER, Mr. MYERS of Indiana, Mr. GRADISON, Mr. SCHULZE, Mr. TALCOTT, Mr. FISH, Mr. MCCOLLISTER, Mr. KASTEN, Mr. PATTERSON of California, and Mr. MICHEL):

H.R. 10397. A bill to amend the Real Estate Settlement Procedures Act of 1974; to the Committee on Banking, Currency and Housing.

By Mr. JOHN L. BURTON (for himself, Mr. PHILLIP BURTON, and Mr. DON H. CLAUSEN):

H.R. 10398. A bill to enlarge the Golden Gate National Recreation Area in the State of California by the addition of certain land in Marin County; to the Committee on Interior and Insular Affairs.

By Mr. CARNEY:

H.R. 10399. A bill to establish a method whereby the Congress (acting in accordance with specified procedures) may prevent the adoption by the executive branch of rules or regulations which are contrary to law or inconsistent with congressional intent or which go beyond the mandate of the legislation which they are designed to implement; jointly to the Committees on the Judiciary and Rules.

By Mr. DEL CLAWSON (for himself, Mr. ARCHER, Mr. CRANE, Mr. GILMAN, Mr. GOODLING, Mr. HAWKINS, Mr. HOLLAND, Mr. PATTISON of New York, Mr. STEELMAN, and Mr. WAMPLER):

H.R. 10400. A bill to establish a method whereby the Congress (acting in accordance with specified procedures) may prevent the adoption by the executive branch of rules or regulations which are contrary to law or inconsistent with congressional intent or which go beyond the mandate of the legislation which they are designed to implement; jointly to the Committees on the Judiciary, and Rules.

By Mrs. FENWICK:

H.R. 10401. A bill to amend the Legislative Reorganization Act of 1946 to provide that any increase in the pay of Members of the Congress may not take effect until the first day of the Congress following the Congress during which such increase is adopted, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. HAYES of Indiana (for himself, Mr. BADILLO, Mr. BLANCHARD, Mr. BROWN of Ohio, Mr. CLEVELAND, Mr. DRINAN, Mr. EMERY, Mr. ESCH, Mr. FREY, Mr. FUQUA, Mr. HARRINGTON, Mr. JENRETTE, Mr. MCCORMACK, Mr. MOSHER, Mr. OBERSTAR, Mr. OTTINGER, Mr. SCHEUER, Mrs. SPELLMAN, Mr. SYMINGTON, Mr. WAXMAN, and Mr. WEAVER):

H.R. 10402. A bill to authorize and direct the establishment of a coordinated national program relating to climate, to require an annual report of the program to Congress,

and for other purposes; to the Committee on Science and Technology.

By Ms. HOLTZMAN:

H.R. 10403. A bill to amend the Immigration and Nationality Act to provide that the age of a child shall be determined as of the date a petition for preference status or immediate relative status is filed by or in behalf of such child, or if no such petition is filed, as of the date an application for an immigrant visa is made by or in behalf of such child; to the Committee on the Judiciary.

By Mr. McCORMACK (for himself, Mr. HICKS, Mr. ABDNOR, Mr. DAN DANIEL, Mr. DERWINSKI, Mr. FITHIAN, Mr. HASTINGS, Mr. MURPHY of Illinois, Mr. STEIGER of Wisconsin, and Mr. ZEFERETTI):

H.R. 10404. A bill to authorize the Secretary of the Army to delegate to the States certain functions with respect to the location and plans for structures, excavations, dredging, or fills in or on certain navigable and other waters of the United States; to the Committee on Public Works and Transportation.

By Mr. McKINNEY:

H.R. 10405. A bill to provide emergency financial assistance to municipalities; to the Committee on Banking, Currency and Housing.

By Mr. MANN (for himself, Mr. BEARD of Tennessee, Mr. BUTLER, Mr. DEVINE, Mr. ESCH, Mr. FISH, Mr. GOODLING, Mr. HARSHA, Mr. HEINZ, Mr. JOHNSON of Pennsylvania, Mr. McEWEN, Mrs. MEYNER, Mr. MOTTL, Mr. PATTISON of New York, Mr. RINALDO, Mr. STEIGER of Arizona, and Mr. YATRON):

H.R. 10406. A bill to amend the Natural Gas Act; to the Committee on Interstate and Foreign Commerce.

By Mr. MEZVINSKY (for himself, and Mr. MILLER of California):

H.R. 10407. A bill to require the Federal Trade Commission, the Department of Justice, and the Department of Agriculture, to compile information and annually report to the Congress with respect to antitrust enforcement, market structure, and state of competition in the food industry, and for other purposes; to the Committee on the Judiciary.

By Mr. MICHEL (for himself, Mr. BAFALIS, Mr. BURGENER, Mr. CHAPPELL, Mr. CONLAN, Mr. DERWINSKI, Mr. EDWARDS of Alabama, Mr. GILMAN, Mr. GRADISON, Mr. HASTINGS, Mr. JOHNSON of Pennsylvania, Mr. KELLY, Mr. McCLORY, Mrs. PETTIS, Mr. MYERS of Indiana, Mr. SKUBITZ, Mr. STEIGER of Arizona, Mr. STUCKEY, Mr. WHITEHURST, and Mr. WINN):

H.R. 10408. A bill to reform the Food Stamp Act of 1964 by redirecting resources to those with the greatest need, by making program administration more effective, by making more realistic eligibility requirements, and by tightening accountability, and for other purposes; to the Committee on Agriculture.

By Mr. MYERS of Pennsylvania (for himself, Mr. HECHLER of West Virginia, Mr. DUNCAN of Tennessee, Mr. BEARD of Rhode Island, Mr. EDGAR, Mr. DU PONT, Mr. HARRINGTON, Mr. CHARLES WILSON of Texas, Mrs. SPELLMAN, and Mr. BAUCUS):

H.R. 10409. A bill to provide for the Federal payment of State unemployment compensation benefits which are paid to individuals who are unemployed because of the natural gas shortage; to the Committee on Ways and Means.

By Mr. NOLAND (for himself and Ms. HOLTZMAN):

H.R. 10410. A bill to amend the Internal Revenue Code of 1954 to limit the extent to which farm losses can be used to offset nonfarm income; to the Committee on Ways and Means.

By Mr. RINALDO:

H.R. 10411. A bill to amend title XVI of the Social Security Act to prohibit States from reducing their supplementation of supplemental security income benefits when cost-of-living increases (or other general increases) are made in such benefits, so as to assure that recipients of such benefits will actually receive those increases, and to prohibit reductions in Federal hold-harmless payments to States as a consequence of such increases; to the Committe on Ways and Means.

By Mrs. SULLIVAN (for herself, Mr. PATMAN, Mr. MILLS, Mr. PRICE, Mr. BARRETT, Mr. DELANEY, Mr. BURKE of Massachusetts, Mr. RANDALL, Mr. PEPPER, Mr. ANNUNZIO, Mr. MEEDS, Mr. BIAGGI, Mr. MURPHY of Illinois, and Mr. ZEFERETTI):

H.R. 10412: A bill to establish an Emergency State and Community Financial Assistance Corporation to provide loan guarantees and direct loans to States and local governments when necessary to assure the availability of adequate loan funds on reasonable terms to finance the construction of urgently needed public works and facilities; to the Committee on Banking, Currency and Housing.

By Mrs. SULLIVAN (for herself, Mr. DOWNING of Virginia, Mr. ROONEY, Mr. DINGELL, Mr. ROGERS, Mr. MURPHY of New York, Mr. JONES of North Carolina, Mr. LEGGETT, Mr. BIAGGI, Mr. ANDERSON of California, Mr. METCALFE, Mr. GINN, Mr. STUDDS, Mr. DE LUGO, Mr. BONKER, Mr. D'AMOURS, Mr. PATTERSON of California, Mr. ZEFERETTI, Mr. OBERSTAR, Mr. MOSHER, Mr. McCLOSKEY, Mr. FORSYTHE, Mr. PRITCHARD, Mr. YOUNG of Alaska and Mr. TREEN):

H.R. 10413. A bill to amend the Merchant Marine Act, 1936, and the Maritime Academy Act of 1958 to provide for an integrated system of education and training of officers for the U.S. Merchant Marine, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. BIAGGI:

H. Con. Res. 461. Concurrent resolution recognizing the right of self-determination of the Irish people and urging the prompt removal of British troops from Northern Ireland; to the Committee on International Relations.

By Mr. ROE:

H. Con. Res. 462. Concurrent resolution expressing the sense of Congress with respect to the Baltic States; to the Committee on International Relations.

PRIVATE BILLS AND RESOLUTIONS

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

By Mr. HARRIS:

H.R. 10414. A bill for the relief of George E. Chiplock; to the Committee on the Judiciary.

By Mr. MOORHEAD of California:

H.R. 10415. A bill for the relief of Blase A. Bonpane; to the Committee on the Judiciary.

PETITIONS, ETC.

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

273. By the SPEAKER. Petition of Coshocton County Commissioners, Coshocton, Ohio, relative to revenue sharing; to the Committee on Government Operations.

274. Also, petition of the city council, El Reno, Okla., relative to revenue sharing; to the Committee on Government Operations.

275. Also, petition of the Inter-Tribal Council of the Five Civilized Tribes, relative to the termination of certain Indian tribes; to the Committee on Interior and Insular Affairs.

276. Also, petition of the Moorish Science Temple, The Divine and National Movement of North America, Inc., No. 13, Baltimore, Md., relative to family names; to the Committee on the Judiciary.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 8603

By Mr. GUDE:

Page 25, immediately after the material immediately below line 14, insert the following new section:

SEC. 13. (a) Subchapter IV of chapter 36 of title 39, United States Code, is amended by adding at the end thereof the following new section:

"§ 3663. Construction of Postal Service facilities

"(a) When the Postal Service determines it is necessary to construct a Postal Service facility, the Postal Service shall notify any agency of State or local government responsible for the administration or enforcement of any law or rule applicable to the use of land upon which such construction is proposed. The Postal Service shall consult with any such agency to determine whether such construction is consistent with such law or rule.

"(b) Any agency of State or local government receiving notification from the Postal Service under subsection (a) may conduct a hearing with respect to construction proposed by the Postal Service. Interested parties shall be given an opportunity to present their views at such hearing.

"(c) If any agency of State or local government receiving notification from the Postal Service under subsection (a) does not hold a hearing under subsection (b) within 90 days after receipt of such notification, then the Postal Service shall conduct a hearing with respect to the proposed construction of a Postal Service facility. Adequate advance notice of any such hearing shall be given to the public in the affected community. The hearing shall be open to the public, with interested parties being given an opportunity to present their views; and a suitable record of the hearing shall be kept.

"(d) The Postal Service shall not undertake construction of a Postal Service facility before a hearing has been conducted with respect to such proposed construction under subsection (b) or subsection (c).".

(b) The table of sections for subchapter IV of chapter 36 of title 39, United States Code, is amended by adding at the end thereof the following new item:

"3663. Construction of Postal Service facilities.".

And redesignate the following sections accordingly.

By Mr. HANLEY:

Strike out section 2, as amended, in its entirety, and insert in lieu thereof the following:

SEC. 2. (a) Section 2401(b)(1)(G) of title 39, United States Code, is amended to read as follows:

"(G) for each fiscal year after fiscal year 1984, an amount equal to 5 percent of such sum for fiscal year 1971, except that the

Postal Service may reduce the percentage figure, including a reduction to 0, if the Postal Service finds that the amounts are no longer required to operate the Postal Service in accordance with the policies of this title."

(b) Paragraph 2 of subsection (b) of section 2401 of title 39, United States Code, is amended to read as follows:

"(2)(A) As further reimbursement to the Postal Service for public service costs incurred by it, there is authorized to be appropriated to the Postal Service for the period commencing on July 1, 1975, and ending on September 30, 1976, an amount not to exceed $1.5 billion.

"(B) Beginning with the fiscal year ending September 30, 1977, there are authorized to be appropriated to the Postal Service, as further reimbursement for public service costs incurred by it, subject to annual authorizations by law, such additional amounts as may be determined to be necessary for an efficient, service-oriented Postal Service."

(c) Section 2401(b) of title 39, United States Code, is amended by adding the following paragraphs:

"(4) (A) Except as provided in subparagraph (B) of this section, the Postal Service shall provide door delivery or curbline delivery to all permanent residential addresses (other than apartment building addresses). The Postal Service shall provide door delivery in any case in which the unit of general local government having jurisdiction over the address involved has adopted zoning ordinances in the interest of protecting the public safety which restricts the construction or maintenance of any structure on the property adjacent to the curbline.

"(B) The Postal Service may provide cluster box delivery service for any permanent residential address in any case in which a unit of general local government having jurisdiction over such address specifically approves the provision of such cluster box delivery service.

"(5) Appropriations made under the authority of this subsection shall not be expended or utilized in such a manner as to effect a reduction of more than 10 percent in the applicable postal rates or fees established under chapter 36 of this title for zone-rated mail matter formerly entered under former chapter 67 of this title.

"(6) The Postal Service, in requesting an amount to be appropriated under this subsection, shall present to the appropriate committees of the Congress a comprehensive statement of its compliance with the public service cost policy established under section 101(b) of this title and a comprehensive statement containing a description of the operations of the Postal Service together with any other information which any such committee considers necessary to determine the amount of funds required for the operation of the Postal Service."

(d) The provisions of section 3641 of title 39, United States Code, as such provisions were in effect on the day before the date of enactment of this Act, shall apply to any temporary rate or fee established by the Postal Service pursuant to its request to the Postal Rate Commission, dated September 18, 1975, for a recommended decision, bearing Docket Number R76-1, except that such temporary rate or fee may not exceed the lesser of (A) the rate or fee requested for such class or service; or (B) a rate or fee which is more than one-fifth greater than the permanent rate or fee in effect for that class or service at the time a permanent change in the rate or fee of such class or service was requested under section 3622 of title 39, United States Code, by the Postal Service in its request bearing Docket Number R-76-1.

On page 26, strike out section 14 in its entirety and redesignate the following section accordingly.

EXTENSIONS OF REMARKS

SAVE THE ANIMALS

HON. GLENN M. ANDERSON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 28, 1975

Mr. ANDERSON of California. Mr. Speaker, I am pleased to report that H.R. 66, a bill which would discourage the use of inhumane devices in the trapping of animals and birds, continues to receive strong support in the House. Over 50 of our colleagues have cosponsored this measure, and hopefully more are on the way.

Hearings have been scheduled for the first time since the inception of this type of legislation. The Subcommittee on Fisheries and Wildlife Conservation and the Environment of the House Committee on Merchant Marine and Fisheries will hear testimony from various witnesses, both pro and con, on November 18.

Annually, millions of wild and domestic animals suffer needlessly due to steel leghold animal traps. The model trap used most frequently today was designed some 150 years ago. Capturing of animals, most often painfully, is the only purpose of such a trap. The killing is supposedly put off until the hunter arrives.

However, the deep jaws of steel leghold traps cause excruciating pain and numbness. A trapped animal may remain in captivity for days, or it may choose to chew through its own leg to attain freedom. Thus, a victim of a steel leghold trap may die of starvation, infections, or his condition can render him easy prey for other animals. In the best instances, writhing by a caught animal will result in torn flesh and ligaments.

Steel leghold traps are not selective. Whether useful as furbearers or not, an animal can be easily captured. Hunting dogs and even species of animals nearing extinction are not safe. Numerous surveys by humane groups have found that animals unwanted as furbearers outnumber by 2 or 3 to 1 the number of furbearers found in traps.

A very high proportion of U.S. trappers are not professionals. As hobbyists, these hunters check their traps sporadically. One provision of this bill is to require trappers to inspect their devices once a day and promote humane trapping by preventing starvation and other suffering.

We do not intend to discourage the animal pelt industry with this bill. Inexpensive alternative traps, which painlessly capture, are easily available. These alternative traps can be produced by simply wrapping weather stripping across the jaws of an original steel leghold animal trap. This additional cost is only about 40 cents per trap. Traps which instantaneously kill are also readily available. By breaking the back or neck of the animal, these traps will kill quickly and without pain.

A few States, as well as a number of foreign countries, have successfully implemented laws which ban the use of painful animal traps. Thus empirical evidence has proven the feasibility of allowing on the market only traps which are painless or traps which instantaneously kill.

Mr. Speaker, more humane means to trap animals must now be initiated. Economic excuses are no longer valid in rationalizing outmoded methods. Humane trapping can be instigated at very low cost and with innumerable benefits to all involved.

First, this bill seeks to discourage the use of cruel traps by instructing the Secretary of Interior to set up criteria for establishing traps which will painlessly capture or instantaneously kill.

Second, it would set up a seven-person commission appointed by the Chairman of the Council on Environmental Quality, including some experienced trappers, to help the Secretary in determining "approved traps."

Third, this proposal is intended to halt entrance into interstate commerce all unapproved traps beginning 6 months after promulgation of regulations by the Secretary.

Fourth, it would halt the use of unapproved traps on Federal lands 6 months after promulgation of regulations by the Secretary.

Fifth, our bill would impose labeling requirements for interstate shipments of furs and hides.

Sixth, it would halt the entrance into interstate commerce of animals or products thereof trapped or captured by other than approved traps, beginning 2 years after promulgation of regulations.

Seventh, this measure would authorize the Secretary to enter into cooperative agreements with States or political subdivisions to assist them financially, or otherwise enable them to comply with the requirements of the act.

Finally, it is intended to provide aids and penalties to enforcement.

This bill does not:

First, interfere with predator control programs, except that the Secretary is to establish criteria for trapping in a manner which captures painlessly or instantaneously kills animals;

Second, halt commercial trapping on Federal lands except that such trapping must be conducted with traps approved by the Secretary and must be carried out in accordance with a program conducted by or supervised by Federal or State personnel;

Third, interfere with the right of private land owners to protect private property against damage and depredation.

Mr. Speaker, this legislation is long overdue. The needless maiming of our wildlife must stop. I believe this bill is as