

## SENATE—Friday, October 23, 1981

(Legislative day of Wednesday, October 14, 1981)

The Senate met at 10 a.m., on the expiration of the recess, and was called to order by the Honorable JOHN W. WARNER, a Senator from the State of Virginia.

## PRAYER

The Reverend Robert S. Strain, associate in the Prayer Breakfast Fellowship, Washington, D.C., offered the following prayer:

Good morning. Let us be silent for just a moment to acknowledge God's presence and to sense His spirit here.

Lord—Almighty God—hear our prayers as we meet today. So many matters are pressing, and demands made on all sides. Our request is that Your spirit will be a sanctuary to us now, with love, joy, and peace calming us through the day. Let our minds know true knowledge, and on every issue before us give someone among us a word of instruction that will keep our hearts on the right path.

Your providence has made us one Nation, under God, with liberty and justice for all. We are grateful, and again today we thank You for preserving us. You have kept us a free people, and through this Republic have fostered the hope of freedom in many lands. With patriots everywhere we remember those who denied themselves in their day to win the liberty we defend in ours. May all see that God is the strong defender who takes the case of those who won His cause.

With fearful regard for Jesus Christ, who said that *Whoever exalts himself will be humbled, and whoever humbles himself will be exalted* (Matthew 13:12), we ask in His name that Your grace, mercy, and peace prevail in this place. Amen.

## APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

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

The legislative clerk read the following letter:

U.S. SENATE,  
PRESIDENT PRO TEMPORE,  
Washington, D.C., October 23, 1981.

To the Senate:

Under the provisions of Rule I, Section 3, of the Standing Rules of the Senate, I hereby appoint the Honorable JOHN W. WARNER, a Senator from the State of Virginia, to perform the duties of the Chair.

STROM THURMOND,  
President pro tempore.

Mr. WARNER thereupon assumed the chair as Acting President pro tempore.

## RECOGNITION OF THE MAJORITY LEADER

The ACTING PRESIDENT pro tempore. The majority leader is recognized.

## THE JOURNAL

Mr. BAKER. Mr. President, I ask unanimous consent that the Journal of the proceedings of the Senate be approved to date.

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

## THE IMPORTANT AWACS VOTE

Mr. BAKER. Mr. President, with the important AWACS vote less than a week away, I call to my colleagues' attention to an article which appeared in the October 18, 1981 edition of the New York Times.

The story consolidates valuable facts in a most useful manner, as evidenced by this paragraph:

Unlike the Shah, the ruling family in Saudi Arabia was not installed by a foreign power. There is little poverty, no all-pervasive secret police, no traditional political opposition, no Moslem clergy bent on meddling in politics. And Saudi Arabia has already had its Islamic revolution—it happened in the 18th century.

Mr. President, I ask unanimous consent that this article be printed in its entirety in the RECORD.

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

## SAUDIS UNDER PRESSURE: A SPECTER OF INSTABILITY?

(By Thomas L. Friedman)

CAIRO, Oct. 17.—At his news conference on Oct. 1, President Reagan vowed that the United States would never permit Saudi Arabia "to be an Iran."

The warning was a graphic one, conjuring up the specter of virulent anti-Americanism, religious fanaticism and political strife. The President seemed to be saying that the United States would be able to control such turmoil in Saudi Arabia.

The question of the desert kingdom's stability is central to the debate over whether the United States should sell the Saudis AWACS surveillance planes. If the Saudi royal family was forced from power as happened to the Shah in Iran, the AWACS might fall into hostile hands.

Arab affairs specialists interviewed in the United States, London and the Middle East contend that there is no reason to doubt that the Saudi royal family can deal effectively with internal and external challenges for the immediate future.

## LONG-TERM DANGERS SEEN

In the long term, however, they argue that a variety of changes are at work that could produce either severe domestic unrest or a fundamental change in the political outlook of the regime.

Most important, they feel the United States has no real way of intervening effectively if Saudi Arabia is threatened internally. The Rapid Deployment Force, they say, is geared almost entirely to protecting Saudi Arabia from the threat of invasion by the Soviet Union or one of its allies. The force would probably prove useless against domestic subversion, according to the specialists.

Unlike the Shah, the ruling family in Saudi Arabia was not installed by a foreign power.

There is little poverty, no all-pervasive secret police, no traditional political opposition, no Moslem clergy bent on meddling in politics. And Saudi Arabia has already had its Islamic revolution—it happened in the 18th century.

Yet the experts contend that Saudi Arabia, though not an Iran, could be swept by instability capable of fostering violent change and a prolonged cutoff in oil production.

## A MASSIVE SOCIAL TRANSFORMATION

"The potential sources for destabilization in Saudi Arabia grow out of the fact that Saudi society is undergoing a massive social transformation in a very short time," said Nadav Safran, a professor of government at Harvard University.

Professor Safran, who is completing a major study on the desert kingdom, said the Saudi Government assumed that such a transformation was possible without undermining the country's stability.

"That assumption flies in the face of all the evidence of history," Mr. Safran said. "No society has gone through that kind of transformation without an upheaval. But the historical record also shows that such an upheaval can take generations to materialize. Saudi Arabia can go on for 10 to 15 years without problems and it can blow up tomorrow."

The roots of Saudi Arabia's political system lie in a delicate alliance formed in 1730 between a Moslem fundamentalist preacher, Mohammed Ibn Abdul Wahab, and a charismatic Bedouin tribesman, Emir Mohammed Ibn Saud. Ibn Saud provided the sword and Abdul Wahab the ideology as the two attempted to subdue the warring tribes of the Arabian desert.

Ibn Saud's direct descendant—Abdul Aziz Ibn Saud—completed this task nearly 50 years ago "by the will of Allah and the strength of his right hand." After consolidating his tribe's grip over the entire Arabian Peninsula, he forged a modern nation named after his family and guided by the austere Islamic principles of Abdul Wahab.

## STRAINS OF RAPID MODERNIZATION

Since then, the alliance between the various tribes, the Saud family and the Islamic leadership has formed the foundation of the Saudi nation. But that foundation is now sagging under the strains of rapid modernization, oil wealth and a flood of imported values and ideas. The rapid pace of development has given birth to new social groups—administrators, skilled laborers, army officers and professionals—that are not part of either the religious hierarchy, the ruling family or the tribal order.

"Modernization has lured young Bedouins from the desert to the city, weakening the tribal structure," said Gary Samore, a research associate at the Harvard University Center for Science and International Affairs. "The ruling family is being challenged from two sides: the new classes calling for the creation of political parties and participatory government and the old classes calling for the regime to slow down and tighten the grip of Islamic and tribal institutions."

The royal family is made up of 4,000 to 5,000 princes who are interspersed throughout the bureaucracy. Abdul Aziz alone had more than 40 wives and 36 surviving sons, who make up the current inner circle of the Saudi royal family. They are divided into cliques that reflect not only bloodlines—sons of the same mother tend to form political units—but also political outlook.

King Khaled, the ailing, 69-year-old monarch, nominally rules the country while

Crown Prince Fahd, 60, the heir apparent, acts as chief executive.

**"MODERNISTS" AND "TRADITIONALISTS"**

Crown Prince Fahd leads the "modernist" wing of the royal family while Prince Abdullah, commander of the National Guard and the number three man in the hierarchy, heads the more "traditionalist" branch.

With the family leadership so large, it is widely believed that a random assassination would not change the immediate course of Saudi history.

But what the system cannot take, experts on Saudi Arabia say, is an irreconcilable division in the family, brought on by the stresses.

The kinds of pressure that can arise were reflected in the takeover of the Great Mosque of Mecca in November 1979 by orthodox Moslem tribesmen intent on curbing Westernization in the Saudi regime. Crown Prince Fahd responded by promising a greater say for all groups in the country's affairs, through the creation of a constitution and a popular assembly. But traditional elements in the ruling family blocked their formation, according to specialists on Saudi Arabia.

The prospect of an interfamily feud becomes all the more frightening, added Mr. Samore, because of the new tools available to opposing groups. Princes now have ministries, and in some cases army units, that they exploit as power bases. Prince Abdullah, for instance, controls the tribal-supported National Guard, while Prince Sultan, his half-brother and rival for the throne, controls the regular army.

"It is easily possible to imagine either a failed palace coup leading to a civil war or disaffected princes and commoners joining together in search of change," Mr. Samore said.

But Herman F. Elits, former United States Ambassador to Saudi Arabia, disagrees. "If there is one thing I learned during my stay in Saudi Arabia it's that there is a tremendous amount of resilience in the royal family," said Mr. Elits.

Although the family has a major interest in sticking together, this has not prevented damaging internecline conflicts in the past.

In August 1962, for instance, three discontented senior princes defected to Egypt, from where they launched a propaganda campaign against their brothers. They complained of the Saudi regime's close ties to the United States and called for the establishment of constitutional monarchy.

**FEW SUPPORT "FREE PRINCES"**

Few Saudis rushed to support the "free princes," as they called themselves, and they eventually returned to the fold. That might not be the case in the future. Saudis who studied in the West and returned to find themselves running a system over which they had no say might provide a powerful base of support for an antimonarchist Arab nationalist coalition.

"They are not seething with discontent, nor are they deeply alienated," a Saudi affairs specialist said. "But they don't appear to be deeply loyal either."

There is, however, one group that could force change on its own—the army.

The Saudi armed forces, with 87,000 members, are divided up into four very distinct units—the regular army, the national guard, the air force and the navy. As a fighting unit, the Saudi Army is currently on the level of the Egyptian Army before the 1967 war with Israel, according to military experts familiar with Arab forces.

**USUAL GRUMBLING IN SAUDI ARMY**

There is the usual amount of grumbling in the Saudi Army about the political leadership, but no more than in the force of any other third world country, said Anthony

Cordesman, a fellow of the Wilson Center, who spent several years working for the Defense Department in the Persian Gulf.

"Saudi soldiers are recruited in their teens and their whole life is oriented to becoming professional soldiers," Mr. Cordesman said. "If they get the impression that the United States would give preference to Israel's security needs to the point of denying Saudi Arabia the weapons required for its defense, or if it perceives that mounting corruption and waste would prevent them from becoming a truly professional force, they could become very dangerous."

Having watched Arab kings in Iraq, Libya, Egypt and Yemen fall victim to military coups, the Saudi ruling family has built many safeguards into its military system.

For example, the only force stationed in the capital is the Royal Guard—a 1,000-man unit distinguished by its loyalty to the monarchy. The regular army is based in four military cities—all of them outside major urban areas: Kharj, 60 miles south of Riyadh, Tobuk near the border with Israel, Batin near Iraq and Khamis Mushait close to North Yemen. Thus, if an army unit were to move against civilian centers, there would be plenty of warning time.

**SAFEGUARDS IN THE ARMED FORCES**

The training and recruitment of soldiers is structured to mix age, ethnic and regional groups, making it difficult for like-minded leaders to coalesce as they did in the Egyptian and Syrian Armies.

In addition, each unit is able to counter a threat from the other: the air force has the jets, but the army has the ground-to-air missiles. The army has the tanks, but the national guard, the main internal security force, is equipped with antitank weapons.

Some analysts argue that the most devastating threat to American interests in the Middle East could come not from a change in the Saudi regime—either by internal or external means—but from a change in policy by the present ruling family.

"In the Arab world, considerations of political survival swamp all other considerations of policy," said a Middle Eastern specialist in the United States. "We have a signal with the assassination in Egypt: those who are associated with the United States get killed. Sadat is dead. Qadhafi is alive. It is entirely possible the Saudis could see their own political survival wrapped up in distancing themselves from the United States."

Some might argue that the Saudis are too tied to the West to change directions. But even slight policy shifts by such an important country could have a global impact. A reduction of just 2 million barrels a day in Saudi Arabia's oil production could at times spell the difference between worldwide glut and shortage.

"Sometimes," an Arab affairs specialist said, "it's the marginal decisions that make all the difference."

**ORDER OF PROCEDURE**

Mr. BAKER. Mr. President, under the previous order, at 11 o'clock the Senate will proceed to the consideration of S. 1503, the Standby Petroleum Allocation Act, for 1 hour under a time agreement. It is the intention of the leadership that at the expiration of that hour, at approximately 12 noon, to ask the Senate to turn to the consideration of H.R. 4035, the Interior appropriations bill.

I expect that opening statements, beginning debate, perhaps the disposition of amendments that may be done without rollcall votes, will be dealt with today.

Mr. President, I do not anticipate asking the Senate to remain in session late today in view of the very late hour of the session yesterday in order that the Senate could complete action on the foreign assistance bill.

ORDER FOR RECESS UNTIL MONDAY, OCTOBER 26, 1981, AT 10 A.M.

Mr. President, I ask unanimous consent that, when the Senate completes its business today, it stand in recess until the hour of 10 a.m. on Monday.

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

Mr. BAKER. Mr. President, I have no further requirement for my time under the standing order. I am prepared to yield to any Senator or yield the remainder of my time to the control of the distinguished minority leader.

Mr. ROBERT C. BYRD. Mr. President, I thank the majority leader. I accept his offer. If he should have need for some of the time back, I will yield it back.

Mr. BAKER. Mr. President, I yield the remainder of my time under the standing order to the minority leader.

**RECOGNITION OF THE MINORITY LEADER**

The ACTING PRESIDENT pro tempore. The minority leader is recognized.

Mr. ROBERT C. BYRD. Mr. President, I yield to the Senator from Wisconsin.

**THE GENOCIDE CONVENTION AND THE WORLD COURT**

Mr. PROXMIRE. Mr. President, the Liberty Lobby's White Paper on the Genocide Convention alleges that:

Ratification of the Genocide Convention would have the unfortunate but certain side-effect of repealing the Connally Reservation, six key words inserted into the resolution accepting the jurisdiction of the World Court in 1946. . . . Without them, the World Court would make its own determination of what is to be deemed domestic and foreign matters, subjecting American citizens to the jurisdiction of aliens.

Mr. President, I can well understand how any American who is not an expert in international law would find such an allegation frightening. Unfortunately, the allegation represents a lack of understanding of the treaty, a lack of understanding of the "Connally Reservation" and an abysmal lack of knowledge of existing United States treaty practice.

WHAT DOES THE GENOCIDE CONVENTION SAY?

Mr. President, first, let me turn to the actual wording of the Genocide Convention.

Article IX of the Genocide Convention provides that:

Disputes between the Contracting Parties relating to the interpretation, application or fulfillment of the present Convention, including those relating to the responsibility of a State for genocide or for any of the other

acts enumerated in Article III, shall be submitted to the International Court of Justice at the request of any of the parties to the dispute.

Does this mean that another nation can haul Americans before the World Court or any foreign court? Absolutely not.

The language refers to disputes "between the Contracting Parties". In plain English that means disputes between nations which have signed and ratified the Genocide Convention. Not foreign nations and U.S. citizens.

In addition, the understanding recommended by the Foreign Relations Committee makes it clear that the United States reserves the right to see that all Americans—all Americans—charged with genocide are tried before American courts with every constitutional guarantee, and the proposed implementing legislation directs the Secretary of State to see that any extradition treaties that we consider in the future say just that.

#### THE UNITED STATES AND THE WORLD COURT

But that is just the beginning, Mr. President. You may ask "C'mon, Proxmire, that article may not result in Americans going before foreign Courts but it certainly violates our sovereignty by letting the World Court meddle in our affairs."

That is a fair question, Mr. President, but let us look at the record.

During the Foreign Relations Committee hearings on the Genocide Convention in 1970, the committee examined this question very carefully. And what did they find?

They found that language providing for the referral of disputes to the World Court—the language of article IX to which the Liberty Lobby objects—was already contained in 27 multilateral treaties, 2 bilateral treaties and 19 commercial treaties.

That is 48 treaties, Mr. President, which are on the books in which the United States has agreed to referral of disputes to the World Court.

Has this diminished our sovereignty in any way? Of course not.

Has the Liberty Lobby or any other group been able to cite one case, just one, in which this language has hurt U.S. sovereignty in any way? Absolutely not.

This record is important, Mr. President, because it clearly demonstrates that this language providing for referrals of treaty disputes to the World Court is accepted American practice, ratified time and again, by the Senate and it has never hurt American interests.

For that reason, Mr. President, I ask unanimous consent that a list of these treaties be reprinted in the RECORD at the conclusion of my remarks.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. (See exhibit 1.)

#### "RECIPROCITY"—A SAFEGUARD AGAINST COMMUNIST TREACHERY

Mr. PROXMIRE. But perhaps genocide is different, Mr. President. Even though the record is clear that the language providing for the referral of dis-

putes to the World Court has never harmed American interests, it is fair to ask whether unfounded allegations of American genocide might permit the Soviet Union and its allies an attempt to embarrass the United States.

The answer is loud and clear: No way. No Communist state can ever haul the United States before the World Court on charges of genocide. Why? Because of the principle of "reciprocity."

What the Liberty Lobby's white paper conveniently omits is the principle of reciprocity. This is a solid principle of international law which states that if any nation—in this case, the Soviet Union and its allies—ratifies any convention with a reservation, we have the right to use that reservation against them in any dispute we have with them.

The Soviet Union and its allies have all ratified the Genocide Convention with a reservation stating that they will decide for themselves what cases they will permit to go to the World Court. While the Liberty Lobby is all too quick to praise the willingness of Soviet diplomats and degrade our own American diplomats, they have missed the significance of this Communist action. By establishing that reservation, the Communist nations have automatically provided us with the right to invoke the Communist reservation in any attempt they might make to bring the United States before the World Court under this treaty. The Communist diplomats have outsmarted themselves and have tied their own hands in any attempt to embarrass America.

Mr. President, it is time for groups such as Liberty Lobby to stop giving Communist diplomats credit where it is not deserved.

#### THE CONNALLY RESERVATION

Mr. President, I have attempted to show that first, the language of this convention is language which the U.S. Senate has approved in at least 48 treaties; second, that there has never been a case cited in which this language has harmed U.S. sovereignty or security in any way; and third, that the reservations invoked by the Soviet Union and its allies have given us the very weapon, through the doctrine of reciprocity, to prevent Communist nations from attempting political grandstanding against us.

Finally, I would like to turn to the Connally reservation, which was my starting point for this discussion.

When the statute for the World Court was drafted, it contained two ways in which cases could come before the Court.

The first is contained in article 36(1) of the Court's statute and it provides for the World Court to decide "all cases which the Parties refer to it and all matters specifically provided for in the Charter of the United Nations or in treaties and conventions in force".

That is precisely the case which applies to the Genocide Convention.

The second way that cases can come to the Court is under article 36(2) of its statute—the so-called compulsory jurisdiction statute. In effect, this article pro-

vides that a nation may accept the jurisdiction of the court as compulsory "in relation to any other state accepting the same obligation" in all legal disputes concerning interpretation of a treaty, a question of international law, breaches of international obligations and reparations for a breach of international obligations.

In giving its advice and consent to that second paragraph of article 36, the Senate provided that compulsory jurisdiction of the Court—the four cases I have just cited—would not apply to matters within the United States' domestic jurisdiction—and here are the six words of the amendment offered by Senator Tom Connally—"as determined by the United States."

There are two points that I want to emphasize here, Mr. President.

First, the reason that the Genocide Convention falls under article 36(1) is that the Genocide Convention specifically provides for referral of international disputes to the World Court and that is exactly the case we have here. Article 36(2) to which the Connally reservation applies refers to interpretation of international treaties for which no mechanism of interpretation is provided.

Therefore, the mere mention of the Connally reservation is entirely misleading and that is a conclusion shared by the State Department in their testimony as well as our own Foreign Relations Committee in their reports on the Genocide Convention.

It is their considered opinion, shared by the overwhelming majority of international law scholars, that allegations such as the one Liberty Lobby is making is mixing apples and oranges.

Second, as I have demonstrated earlier, this language providing for the referral of disputes to the World Court has been used time and again without undermining our sovereignty one iota.

#### IN CONCLUSION

Mr. President, the Genocide Convention is a treaty which seeks to extend to other nations a fundamental principle which is as American as apple pie: the right to live. The dignity of man is the guiding inspiration of all of our great American documents—the Declaration of Independence, the Constitution, the Bill of Rights—and it is a principle I am not afraid to share with the world.

For far too long, organizations such as Liberty Lobby have misled Americans by telling them of the great wisdom of the Soviet diplomats and their supporters, but, as I have clearly shown with the principle of reciprocity, here is one case where the Communists have hoisted themselves on their own petard. Why is there not one word about that in the Liberty Lobby White Paper? Not one word. All we read is how Americans are fools easily duped. I have greater faith than that in the American people and know that they will not long be misled by sophistry when the facts are made available to them on how this treaty is in their interest.

Mr. President, I yield the floor.

## EXHIBIT 1

TREATIES AND OTHER INTERNATIONAL AGREEMENTS OF THE UNITED STATES CONTAINING PROVISIONS FOR SUBMISSION OF DISPUTES TO THE INTERNATIONAL COURT OF JUSTICE, AS OF MAY 22, 1970

## I. MULTILATERAL

Protocol on military obligations in certain cases of double nationality, concluded at The Hague, April 12, 1930: 50 Stat. 1317; TS 913.<sup>1</sup>

Convention for limiting the manufacture and regulation of narcotic drugs, concluded at Geneva, July 13, 1931: 48 Stat. 1543; TS 863.<sup>1</sup>

Convention on international civil aviation (ICAO), opened for signature at Chicago December 7, 1944: 61 Stat. 1180; TIAS 1591.<sup>2</sup>

Constitution of the Food and Agriculture Organization of the United Nations (FAO), signed at Quebec October 16, 1945 as amended (1950): 60 Stat. 1886; TIAS 1554, 12 UST 980; TIAS 4803.

Constitution of the United Nations Educational, Scientific, and Cultural Organization (UNESCO), concluded at London November 16, 1945: 61 Stat. 2495; TIAS 1580.

Convention on the Privileges and Immunities of the United Nations, dated February 13, 1946: 1 UNTS 16.

Constitution of the World Health Organization (WHO), opened for signature at New York July 22, 1946: 62 Stat. (3) 2679; TIAS 1868.

Instrument for the amendment of the constitution of the International Labor Organization (ILO), dated at Montreal October 9, 1946: 62 Stat. 3485; TIAS 1868.

Convention on Road Traffic, dated at Geneva September 19, 1949: 3 UST 3008; TIAS 2487.

International Sanitary Regulations (WHO Regulations No. 2), adopted by the Fourth World Assembly at Geneva May 25, 1951: 7 UST 2255; TIAS 3625.

Treaty of Peace with Japan, signed at San Francisco September 8, 1951: 3 UST 3169; TIAS 2490.

Universal copyright convention, dated at Geneva September 6, 1952: 6 UST 2731; TIAS 3324.

Constitution of the Intergovernmental Committee for European Migration (ICEM): 6 UST 603; TIAS 3197.

Protocol amending the slavery convention of September 25, 1926 (46 Stat. 2183; TS 778), opened for signature at New York December 7, 1953: UST 479; TIAS 3532.

Protocol limiting and regulating the cultivation of the poppy plant and the production of, and international and wholesale trade in, and use of opium, open for signature at New York from June 23 to December 31, 1953: 14 UST 10; TIAS 5273.

International convention for the prevention of pollution of the sea by oil, signed at London May 12, 1954: 12 UST 2989; TIAS 4900.

Supplementary convention on the abolition of slavery, the slave trade, and institutions and practices similar to slavery. Done at Geneva September 7, 1956: 18 UST 3201; TIAS 6418.

Statute of the International Atomic Energy Agency, done at New York October 26, 1956: 8 UST 1093; TIAS 3873.

<sup>1</sup> By reference to the PCIJ. (References to the ICJ in place of the PCIJ in these cases is provided for by Article 37 of the Statute of the ICJ.)

<sup>2</sup> Appeals procedure from decision of the Council permits reference to the PCIJ (ICJ) if parties to dispute have accepted the Statute of the PCIJ (ICJ).

The Antarctic Treaty, signed at Washington December 1, 1969: 3 12 UST 794; TIAS Constitution of the International Rice Commission as amended at Saigon November 19, 1960: 13 UST 2403; TIAS 5204.

Agreement for establishment of the Indo-Pacific Fisheries Council as amended at Karachi January 6-23, 1961: 13 UST 2511; TIAS 5218.

Agreement for facilitating the international circulation of visual and auditory materials of an educational, scientific and cultural character, done at Lake Success July 15, 1949: TIAS 6116; 17 UST 1578.

Convention on the settlement of investment disputes between states and nationals of other states, done at Washington March 18, 1965: 17 UST 1270; TIAS 6090.

Single convention on narcotic drugs, 1961, done at New York March 30, 1961: TIAS 6298; 18 UST 1407.

Protocol relating to the status of refugees. Done at New York January 31, 1967: TIAS 6577; 19 UST 6223.

Optional protocol to the Vienna convention on consular relations concerning the compulsory settlement of disputes. Done at Vienna April 24, 1963: TIAS 6820; 21 UST.

Convention on offenses and certain other acts committed on board aircraft. Done at Tokyo September 14, 1963: 20 UST 2941; TIAS 6768.

## APPENDIX I.—A

The agreement of Paris, on reparation from Germany, on the establishment of an inter-Allied reparation agency and on restitution of monetary gold, opened for signature at Paris January 14, 1946 (61 Stat. (3) 3157; TIAS 1655), was signed on behalf of the United States on that date. It is followed by a *Resolution No. 8 on recourse to the International Court of Justice*: "The Delegates of Albania, Australia, Belgium, Denmark, France, Luxembourg, the Netherlands, Norway, Czechoslovakia and Yugoslavia recommend that: 'Subject to the provisions of Article 3 of Part I of the foregoing Agreement, the Signatory Governments agree to have recourse to the International Court of Justice for the solution of every conflict of law or competence arising out of the provisions of the foregoing Agreement which has not been submitted to the Parties concerned to amicable solution or arbitration.'" (*Department of State Bulletin*, January 27, 1946, p. 124.)

All the other signatories to the Paris agreement had advised of their accession to this Resolution, as of July 22, 1948.

## APPENDIX I.—B

With respect to the four Geneva conventions of August 12, 1949, for the protection of war victims, relating to: Condition of wounded and sick of the armed forces in the field (6 UST 3114; TIAS 3362); condition of wounded, sick or shipwrecked members of the armed forces at sea (6 UST 3217; TIAS 3363); treatment of prisoners of war (6 UST 3316; TIAS 3364); and protection of civilian persons in time of war (6 UST 3516; TIAS 3365). The following resolution was adopted on August 12, 1949, by the Conference of Geneva:

Resolution I.—The Conference recommends that, in the case of a dispute relating to the interpretation or application of the present Conventions which cannot be settled by other means, the High Contracting Parties concerned endeavor to agree between themselves to refer such dispute to the International Court of Justice.

<sup>3</sup> Reference to the ICJ is subject to consent, in each case, of all parties to the dispute. 4780.

## II. BILATERAL

A. Commercial treaties with:

Country and date, Treaty

Belgium, Feb. 21, 1961, 14 UST 1284; TIAS 5432.

China, Nov. 4, 1946, 63 Stat. (2) 1299; TIAS 1871.

Denmark, Oct. 1, 1951, 12 UST 908; TIAS 4797.

Ethiopia, Sept. 7, 1951, 4 UST 2134; TIAS 2864.

France, Nov. 25, 1959, 11 UST 2398; TIAS 4625.

Germany, F.R., Oct. 29, 1954, 7 UST 1839; TIAS 3593.

Greece, Aug. 3, 1951, 5 UST (2) 1829; TIAS 3057.

Iran, Aug. 15, 1955, 8 UST 899; TIAS 3853.

Ireland, Jan. 21 1950, 1 UST 785; TIAS 2155.

Israel, Aug. 23, 1951, 5 UST 550; TIAS 2948.

Italy, Feb. 2, 1948, 63 Stat. (2) 2255; TIAS 1965.

Japan, Apr. 2, 1953, 4 UST 2063; TIAS 2863.

Korea, Nov. 28, 1956, 8 UST 2217; TIAS 3947.

Luxembourg, Feb. 23, 1962, 14 UST 261; TIAS 5306.

Netherlands, Mar. 27, 1956, 8 UST 2043; TIAS 3942.

Nicaragua, Jan. 21, 1956, 9 UST 449; TIAS 4024.

Pakistan, Nov. 12, 1959, 12 UST 110; TIAS 4683.

Togo, Feb. 8, 1966, TIAS 6193; 18 UST 1.

Viet-Nam, Apr. 3, 1961, 12 UST 1703, TIAS 4890.

B. Other bilateral agreements: <sup>4</sup>

Treaty with Canada relating to cooperative development of water resources of the Columbia River Basin, Jan. 17, 1961, 15 UST 1555; TIAS 5638.

Consular Convention with Korea, Jan. 8, 1963, 14 UST 1637; TIAS 5469.

Source: Stat.—United States Statutes at Large. UST—United States Treaties and Other International Agreements (volumes published on a basis beginning January 1, 1950). TIAS—Treaties and Other International Acts Series, issued singly in pamphlets by the Department of State.

## RECOGNITION OF SENATOR PERCY

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

## THE 25TH ANNIVERSARY OF THE HUNGARIAN REVOLUTION

Mr. PERCY. Mr. President, today we commemorate a very special anniversary among all those which it is the privilege of the U.S. Congress to note.

Twenty-five years ago today, Hungarian citizens decided that their freedom was more important than their safety. Thousands of them stood up and were counted. They were counted for basic human rights and the dignity of the in-

<sup>4</sup> In addition the United States concluded economic cooperation and aid agreements with 17 countries in 1948 which contain provisions for referral of disputes to the International Court of Justice subject, however, to the self-judging domestic jurisdiction reservation of the United States.

dividual. They were counted for the rights of peoples to political self-expression and national identity. They were counted for the right to require that a nation's rulers be responsive to the peoples' needs and welfare.

There Hungarian freedom fighters paid dearly for their courage. Many of them paid with their lives, as the bright hopes of October 1956 were extinguished by Soviet tanks.

Some of the more fortunate were able to escape. Some found their way to our shores to start a new life in America and, in time, to become American citizens. I know that all Americans join with me today in reaffirming our welcome to these Hungarian-Americans, and our gratitude and respect for their contributions to our commerce, industry, arts, and professions.

None of the sacrifices of the Hungarian freedom fighters of 1956 was in vain. Their very name has taken an historic place as an international symbol of the irrepressible human spirit. The Hungarian freedom fighter stands forever for man's willingness to struggle against all odds for those rights and values he holds dear, and for the sacred traditions and identity of his native land. The American heritage has taken renewed hope and determination from the Hungarian freedom fighter's example. So too have free men everywhere. So too have men and women who, for now, can only wish they were free.

Force, repression, and violations of individual and national rights seemed to win in November 1956. But all of us know how hollow and illusory this temporary victory was. It is the oppressor who is condemned to live in fear and by instruments of fear.

Ironically, the sacrifices of the freedom fighters of 1956 have had their lasting, beneficial impact even within Communist Hungary itself. A government somewhat more responsive to the Hungarian people's spiritual as well as material needs has gradually evolved. That government would have its own logical explanation of the forces that have made for these incremental changes. But you and I know that the real source is the soul of the Hungarian nation, the same source, and the same soul, of the Hungarian freedom fighters to whom we pay honor and tribute here today.

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

Mr. PERCY. I am pleased to yield to the distinguished Senator from Rhode Island.

Mr. PELL. I thank the Senator.

The ACTING PRESIDENT pro tempore. The Senator from Rhode Island is recognized.

#### THE 25TH ANNIVERSARY OF THE HUNGARIAN REVOLUTION

Mr. PELL. Mr. President, I wish to join my colleague, Senator PERCY, in marking October 23 as the 25th anniversary

of the Hungarian revolution. On that date in 1956 the world was electrified by the spontaneous uprising of those brave Hungarians who sought freedom and independence for their nation. The term "freedom fighter" took on new meaning and will always be indelibly linked with the Hungarians of 1956.

The event has particular poignancy for me personally, and particular relevance to the situation in Europe today. My father was the last prewar American Minister to Hungary and, after the war, I established the American Consulate General in Bratislava, Czechoslovakia, formerly called Pozony when capital of Hungary.

Then at the time of the Hungarian revolution, I was at the bridge at Andau and spent a year in Austria as Vice President of the International Rescue Committee charged with helping Hungarian refugees. Throughout this time I saw both high hope and deep despair. The end of World War II lifted the yoke of Nazi occupation from Central Europe. But before long a new yoke, that of Stalinist Russia, fell over most of the region. Efforts to break away grew almost everywhere—East Germany, Poland, Czechoslovakia—but succeeded only in Yugoslavia and later in Albania.

Then in 1956 the Hungarian people rebelled against the ruling clique of former party boss Matyas Rakosi and called for the popular Imre Nagy to take over. On October 23 the growing discontent boiled over, partly in echo of developments in Poland, where new leadership more responsive to the people's wishes had come to power, and partly in reaction against an incident where security forces had opened fire on a crowd at the radio station in Budapest. The Hungarians also called for an end to Soviet military occupation of their land, and after Nagy was swept into authority on October 24, he sought to negotiate Soviet withdrawal. The Soviets seemed to tolerate Nagy at first, perhaps hoping that small changes could prevent the further spread of the revolution.

But the clamor grew for fundamental changes in domestic and foreign policy—including a call for Hungary to withdraw from the Warsaw Pact—which Nagy endorsed. Then on November 2, some Soviet forces which had moved out of Hungary during the previous week began to return, and on the night of November 3-4, they struck with massive force against ill-equipped and poorly organized Hungarian resistance forces. Nagy took refuge in the Yugoslav Embassy, but was later seized by the Soviets. He was replaced on November 4 by Janos Kadar, who remains party chief to this day.

It is a testimony to the resilience of the Hungarian people and to the practicality of their leaders that Hungary in recent years has become a minor economic miracle—the result of an economic policy which places major emphasis on individual incentives and quality control. Not surprisingly, the domestic

political situation has also relaxed, although there is no serious challenge to Communist Party control.

Perhaps most importantly, Hungarians are permitted to travel abroad almost without restriction, and millions do so each year. The United States and Hungary have developed a positive relationship, despite obvious differences, and I believe that this relationship contributes to the improved economic and social conditions in Hungary. It also underscores the deep concern which millions of Americans feel for the Hungarian people.

I had the good fortune to come to know personally many brave Hungarians who had been involved in the revolution. Much of our effort was directed at saving lives and assisting many thousands of victims of the invasion and the Soviet-inspired crackdown which followed. I am proud to have been a part of this effort, and to have shared in its many successes. I am only disappointed that we could not do more for those who fought so bravely.

The situation in Central Europe today has many of the same elements of uncertainty, hope and challenge which were so evident 25 years ago. Poland today is engaged in perhaps the most dramatic internal social and political ferment ever to affect the Soviet Empire, certainly the most dramatic since Hungary in 1956 and Czechoslovakia in 1968. But the stakes are higher now. The concrete benefits in trade and human contacts for the peoples of the region, which have grown across the artificial barriers of Central Europe, would be seriously jeopardized by a return to cold war confrontation. There is more to lose now. Furthermore, the dangers of armed confrontation have multiplied in this most heavily armed and strategically essential corner of the globe.

Poland has suffered before from the tragic accident of her geography. The present experiment carries both the hope for lasting improvements and the continuing threat of Soviet military action. It is all the more essential, therefore, that the Polish people and their well-wishers everywhere avoid giving Moscow any reason to invade, whether to prevent public disorder, the disruption of the Warsaw Pact or the removal of the Communist Party from its leadership role. The Catholic Church has played a crucial role both in championing the efforts of the Polish people for greater personal and political freedom, and in cautioning against excesses which threaten the gains already achieved.

Americans should also lower their voices. Clearly, statements by high U.S. officials on the possible use of nuclear weapons in Europe, on alleged U.S. vulnerability in strategic systems and on the supposed inevitability of a Soviet invasion of Poland, poison the climate and heighten the dangers.

It seems almost that some people would prefer that Moscow act to confirm our worst fears, in order to justify a tighter

alliance structure and massive increases in defense spending. Such a course is both unwise and dangerous. And one of the direct consequences is that the peoples of Central Europe, particularly the Poles, but also the Hungarians, Czechs, Slovaks, Germans, and others, come under increasing pressure and increasing threat, and the fragile gains of the past decade are jeopardized.

It is fitting that we note this 25th anniversary of one of the major events in post-World War II history. But it is even more important that we learn the appropriate lessons from that event and from the sequence of events since then. The peoples of Central Europe want peace and a better life. They need lower tensions between East and West. Those who truly support them and their aspirations for improved living conditions should commit themselves anew to work for a climate of international calm under which the creative diversity of the peoples of the region can grow and thrive.

#### HUNGARIAN FREEDOM FIGHTERS DAY

● Mr. WEICKER. Mr. President, today we celebrate Hungarian Freedom Fighters Day. Twenty-five years ago, on October 23, 1956, Hungarian students demonstrated in the streets of Budapest to protest Russian domination of their government and wealth and the brutal intimidating methods of the Russian-backed state security police. A great feeling ran through Hungarians that day. They were tired of keeping their anger to themselves. Their repressed emotions burst forth with fury. People poured into the streets to join the students. Together, they marched chanting slogans against the oppressors and singing old Hungarian hymns long banished by Communist fiat. Then suddenly, the crowd was fired upon. Several workers fell bloodied to the ground. The people shouted in rage. At that moment the soul of a nation rebelled.

Hungarian soldiers, forced to choose between communism and patriotism passed out arms to their countrymen and joined in the revolution. In the following days as Russian tanks moved in to beat down the uprising, the new freedom fighters banded together and fought back with the fierceness of a people with liberty in their grasp. For 6 days, they drove back the tanks, fighting them with old guns, bottles of gasoline, and stones. On October 29, the tanks departed; the city appeared won.

Hungarians reveled in their freedom. The one party system was immediately abolished; free elections were promised; local councils sprung up everywhere. The prisons were opened; the secret police fled. A joyous throng accompanied the freed Cardinal Mindszenty through the square to the palace, above which the hammer and sickle had been torn down. Once again, the old Hungarian flag furled in the breeze, if only briefly.

On November 4, the tanks returned. With a brutality that enraged the world,

they rolled over the heart of a city and a people whose only crime was wanting freedom without having the rifles to win and keep it. The Hungarians fought bravely, stretching the inevitable for days, until finally, they were crushed. Thousands were killed in the fighting. In the weeks that followed, some were executed; more were shipped off like cattle to concentration camps. Over 190,000 Hungarians fled the land that had been their ancestral homeland for a thousand years; others were unable to escape.

Mr. President, freedom and liberty are so much a part of our lives here in the United States that we can go a whole year without giving them a thought. Then along comes the Fourth of July and we get our dose of fireworks, parades, and star spangled banners. We eat cake and ice cream and hear speeches about Washington and Jefferson. Feeling good about our country, we sleep soundly at night, and in the morning we go on with the business of our lives. Not all the people in the world are so fortunate.

There will be no fireworks in Hungary this year; no brilliant flares to brighten the night with celebration. Nor will there be displays of joy in East Germany, in Czechoslovakia, in Lithuania, in Bulgaria, in Poland, in Afghanistan, and in all the other countries under the dark shadow of the Soviet empire. Freedom for these people is not a parade or a red, white, and blue hat or a baseball game. Freedom is a burning coal buried deep in their souls, a small warmth that gives hope to the spirit.

Mr. President, in the darkened lands where tanks and rifles rule, the flame of freedom in the human spirits must never be allowed to die. We must continue to send the message to the people of Hungary—that we have not forgotten them. We care about their plight and pray for their future. The flame must be kept burning until the hopeful day when it explodes across the night like Roman candles in a blazing light of freedom.

I would like to quote a poem now from the collection entitled "From the Hungarian Revolution," edited by David Ray. The title is "October Twenty-Third."

The earth is in pain and the walls lie down  
And the earth is a blue trumpet of victory.  
Because from the stone of the deep moist  
prison

Man is born again under the sun's glory.

Our wrinkled bodies grow supple with new  
sense,

Our drained faces burn in the sunlight,  
Our fainting steps march every way at once,  
Our freedom grins in our hands like a  
birthright.

Our hearts rise out of darkness, opening,  
The purple flower clammers out of the  
earth,

Out of dark slavery our light is ripening,  
Weaponless, the conquerors come forth.

Today, we honor the Hungarian freedom fighters. We remember their courage and their cause. We remember Octo-

ber 23, 1956, and we will never lose hope of such moments triumphing again.●

#### THE 25TH ANNIVERSARY OF THE HUNGARIAN REVOLUTION

● Mr. LUGAR. Mr. President, two things have always stood out among those qualities that impress American people.

One is the embodiment in the individual lives of those high ideals of freedom and self-expression on which our country was founded and for which it stands.

The other is substantial individual contribution to the life, welfare, and prosperity of our communities across America.

On both scores the Hungarian freedom fighters impressed all of us 25 years ago. Even more remarkably, they continue to impress us.

Their individual struggles and sacrifices for the freedom and identity of their country a quarter century ago continues to symbolize for Americans the highest embodiment of our own national ideals.

Many of the Hungarian freedom fighters found refuge here in America, earned American citizenship, and have made significant contributions to American communities through their skilled work and their cohesive family life. My own State of Indiana is enriched by the contributions of many such Hungarian Americans.

Mr. President, I am proud to join here today in this fitting tribute to the living anniversary of the Hungarian revolution of 1956 and its freedom fighters.●

#### NATIONAL BUSINESS WOMEN'S WEEK

Mr. PERCY. Mr. President, it is a great pleasure for me to join the Illinois Federation of Business and Professional Women's Clubs' 10,000 members in their celebration of October 18-24 as National Business Women's Week.

The Illinois Federation is an important part of a national organization founded in 1919 and dedicated to the economic interest and growth of business and professional women. Today, the National Federation of Business and Professional Women's Clubs is composed of over 3,700 clubs in all 50 States, the District of Columbia, the Virgin Islands and Puerto Rico, with over 162,000 members. The goals of its membership are to elevate the standards of women in business and the professions and to extend opportunities to business and professional women through education along lines of industrial, scientific, and vocational activities.

Key to BPW's education activities is the Business and Professional Women's Club Foundation in Washington, D.C. It functions as a resource center and library and is a unique source of data on

matters relating to business and professional women. The BPW Foundation offers management and training seminars and gives more than \$300,000 annually in career advancement scholarships for working women over the age of 25. Corporations and private foundations make 35 percent of the contributions to the foundation; the remainder comes from BPW members across the United States through their respective federations. The BPW Foundation is celebrating its 25th anniversary this year, and special recognition will be given this week to its quarter century of achievement on behalf of business and professional women in this country.

Mr. President, National Business Women's Week was first celebrated in 1928 to dramatize the contributions of women to the business and professional life of the country. As more and more women enter the work force and as they attain the ranks of senior management in increasing numbers, it is more fitting and timely than ever that we set aside this week every year to honor the achievements of the organization that has worked so dilligently in their behalf for more than 60 years.

I salute the Illinois Federation of Business and Professional Women's Clubs, and its parent organization, for their efforts on behalf of working women, for their energy and steadfastness in the pursuit of equal opportunity for women, and for their outstanding contribution to the discussion and implementation of public policy during the last half century. I value my friendship with BPW members all over the State of Illinois and I am delighted to have joined in this way in the celebration of National Business Women's Week.

#### NOMINATION OF JOHN R. VAN DE WATER TO THE NATIONAL LABOR RELATIONS BOARD

Mr. PERCY. Mr. President, I recently had the pleasure of endorsing the nomination of John R. Van de Water to be a member and the Chairman of the National Labor Relations Board.

Mr. Van de Water, who is currently serving as Board Chairman by virtue of a recess appointment, and I have known each other since our student days at the University of Chicago. He would appear to be eminently qualified for this post and I look forward to positive Senate action in the near future.

Mr. President, I ask unanimous consent that the statement I submitted to the Senate Labor and Human Resources Committee, on the occasion of Chairman Van de Water's confirmation hearing, be printed in the RECORD at this point.

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

#### STATEMENT OF SENATOR CHARLES H. PERCY ON THE NOMINATION OF JOHN R. VAN DE WATER TO THE NATIONAL LABOR RELATIONS BOARD

Mr. Chairman, it is my privilege this afternoon to introduce to this Committee Mr.

John Van de Water, President Reagan's nominee for a full term as a member of the National Labor Relations Board and the person who, if confirmed by the Senate will continue to serve as NLRB Chairman, as he has during his recent, interim appointment.

Although John Van de Water is not at present a resident of the State of Illinois, we nonetheless are proud to claim him as one of our own by virtue of his graduation in 1939 from my own alma mater, the University of Chicago, and in 1941 from its law school. John and I were at the University together in those days although I would point out that he did much better than I in his post-graduate education. He finished law school and I dropped out.

In the intervening years, he has combined a career in teaching with one in industrial relations. Since 1949, he has been President of Van de Water Associates, Inc., consultants to management. He created and served as the first Director of the California State Bar program for the Continuing Education of the Legal Profession. He has served as Director of the Executive Program for UCLA's Graduate School of Management, and has served as a member of that school's faculty for 20 years.

He also served as Adjunct Professor of Industrial Relations and Management at the Graduate School of Business Administration, University of Southern California. At the time of his nomination, he was establishing an Executive Education program for San Diego, California, while serving as Director of Executive Education and Professor of Industrial Relations and Management at San Diego University. He has taught labor law to both labor and management and has stressed the absolute necessity of obedience to this country's labor laws.

Mr. Chairman, a little over a year ago, I announced my opposition on the Senate floor to the pattern that former President Carter was establishing in his appointments to the National Labor Relations Board. I felt that the Board, in order to meet its statutory obligations to labor and management in this country, needed balance among its membership and, in particular, more appointees who had had experience in industrial relations outside of the federal government. I reaffirmed my long held belief that continuing respect for the NLRB, its decisions, and for our labor law in general depends on the perception of both business and labor that they can get a fair deal when their cases come before the Board.

At that time, I expressed concern also over the decline in the rate of federal court affirmation of Board decisions during the previous few years. The 1-out-of-3 chance for a court reversal of a Board decision, which existed at the time, was a serious problem, not only because it created a greater workload for the courts and the Board itself, and increased costs to both labor and management, but also because it called into question the fundamental ability of the Board to make judgments that will stick and of its ability to interpret the law.

The nomination of John Van de Water, and of Board Member Bob Hunter, just recently confirmed by the Senate, represent what I consider to be a good faith effort by President Reagan to reverse the decline of the affirmation of Board decisions and bring more credibility to those decisions.

His honesty is absolute. I have always found him to be objective. His ability can be judged by his distinguished record as both a teacher and a doer in the field of industrial relations. In short, Mr. Chairman, I feel we have here a candidate who, if confirmed, will bring balance, prudence, and the respect

of labor and management to his service as Board Chairman. To confirm that last point, Mr. Chairman, let me close with a quote from Communications Workers of America District 11 Vice President, William C. Demers of California, which appeared in a recent issue of *CWA Pride*:

"I know only that my relationship with him has indicated to me that he is a gentleman of honesty and integrity. A man who believes in people. A compassionate man. A man who espouses the philosophy that 'It is not who is right but what is right.'

"I believe, based on my knowledge of Mr. Van de Water, that . . . he will endeavor to be evenhanded and to bring labor and management closer together."

Mr. Chairman, there is no better testimony than that. This concludes my formal remarks.

#### HELP FOR THE HOUSING INDUSTRY

Mr. PERCY. Mr. President, I recently had the opportunity to meet with homebuilders and realtors from several regions within the State of Illinois. It was, as always, a great pleasure to meet with these concerned and hardworking people who are a vital part of the economy of our State.

Our meetings were several of a series I have had during the last 2 years with homebuilders and realtors from all over the State, in which we have sat down together and attempted to work out some practical and reasonable solutions to the problems that have devastated the homebuilding industry in Illinois.

The news they brought me last month was not unexpected, and it was very grim indeed. I was deeply moved by one particular group of homebuilders as they, one by one, told me of once successful homebuilders—their personal friends and associates—who are now facing bankruptcy because of the damage done by uncontrolled inflation and high interest rates.

The condition of the housing industry is no surprise to my colleagues who, I am certain, have heard from realtors, homebuilders, and suppliers in their own States. But few, if any, States in the country have suffered as severe a setback as Illinois. According to the figures provided to me by Advance Mortgage Corp. for housing permits in major metropolitan areas, private housing permits in the Chicago area for the first half of 1981 represented an almost unbelievable 95-percent decrease from 1978, the last good year for the industry. The rest of the State is suffering as well from a major decrease in activity, and sales are depressed everywhere in Illinois.

I have pledged my continued efforts to every homebuilder and realtor in Illinois to do all I can to restore our economy to health and to preserve the housing industry as one of the major components of our economic system and as a provider of a profoundly important service to the people of this country.

First and foremost among my efforts has been my unqualified support for President Reagan's budget and tax proposals, both of which were enacted into law in August and which I believe will

make a fundamental change in the economy—for the better. For the first time, the future looks a bit brighter than in previous years. Washington has heeded the call for change and has enacted an economic recovery program that promises growth, jobs, and a stable business climate. I am pleased to say that the President's economic recovery program enjoys wide support in Illinois, including the housing industry. Once this program begins to take effect, I believe the Federal Reserve will ease up on interest rates. In the meantime, I have taken other action which I hope will improve conditions for the housing industry in my State.

Among the many provisions incorporated into the President's tax reduction legislation, I was particularly pleased to vote for the creation of the all savers certificate, supported by the National Association of Homebuilders, the National Association of Realtors and others, as a means of directly assisting the industry. Financial institutions will be able to issue special, tax-free certificates for the next 15 months, of which 75 percent of the proceeds must be used for residential and agricultural financing. I supported this measure, offered by Senator BENTSEN, because I know so well of the serious condition of the housing industry in Illinois. Additional savings should be generated by changes in IRA and Keogh retirement plans, which will increase the tax benefits available to individuals who are saving for their own retirements. As a principal cosponsor of the small savers interest income tax exclusion provision of current law, I continue to believe that the encouragement of greater individual savings is a key to our economic recovery.

Of special interest to me in the last few years has been the possibility of expanding the sources of home mortgage financing. Major changes have occurred in the last few years in our traditional financial institutions and additional proposals are currently pending in Congress which, if enacted, will mean an even more dramatic alteration in the structure and function of financial institutions as we have known them.

I do not know how or when action on new financial institutions legislation will be completed, nor how I will vote on the final package when it is sent to the Senate from the Banking Committee for consideration. What I do know is that the housing industry should not be made to suffer while our banking system undergoes what perhaps can be characterized as the most radical transformation in its history. We must not wait for action to be completed on new bills before we ask the question of how homeownership will be financed in the future. The fact of the matter is that countless individuals and young couples all over the country with steady sources of income and good credit ratings are precluded from homeownership right now.

To expand the sources of home financing both now and in the future, I supported the passage of legislation that

protected the ability of local governments to issue mortgage revenue bonds and urged the Secretary of the Treasury earlier this year to expedite the issuance of regulations to implement that law. I expect to support legislation, currently pending, which will make technical corrections to the mortgage revenue bond statute and simplify the procedures under which this type of home financing can take place.

For several years, I have been working with homebuilder organizations and a few of my Senate colleagues to make available for housing investment the huge resources of the private pension funds of this country. On September 29, I enthusiastically joined the distinguished Senator from Utah (Mr. HATCH) in introducing S. 1678, a bill to amend the Employee Retirement Income Security Act (ERISA) to provide that an investment by a private pension plan in a residential mortgage is neither a prohibited transaction nor a violation of the "prudent man" rule. After almost a year of correspondence and negotiation with the Federal agencies concerned with housing and ERISA, I have come to the conclusion that legislation is the only answer to eliminating the artificial barriers in ERISA that unreasonably restrict the ability of pension fund trustees to invest in home mortgages.

I will be delighted to work with Chairman HATCH and the other cosponsors on behalf of this worthy legislation and I can assure him of the solid support of all the people in the housing industry in Illinois with whom I have consulted, particularly the homebuilders. We are all anxious to see this industry restored to a condition of vigor and dynamic growth that will be so important to the economic recovery of this country. In the long and short term, it will benefit industry and consumer alike.

Mr. President, it has been my privilege for many years to work with the outstanding homebuilder and realtor organizations in Illinois. Their friendship, advice, and counsel have been of immeasurable help to me in many respects, but especially as we have worked together in the last 2 years on what the Federal response should be to the problems of the housing industry. I wish to express my appreciation today to all of them. Their energy and creativity never cease to amaze me, and their courage in the face of economic adversity unprecedented in recent years is an inspiration to us all.

#### FEEDING THE WORLD. LEADING THE WORLD

Mr. PERCY. Mr. President, it is well known that the United States exports a huge part of its agricultural product. According to the U.S. Agriculture Department, 38 percent of our farm acreage is devoted to exporting and one of every two jobs in farming hinges on exports. The USDA projects the value of the 1981 farm crop that will be exported at nearly

\$44 billion, an increase over what we exported last year. Even when our agricultural imports are taken into account—mostly items like coffee and sugar—we still recorded a \$26 billion agricultural trade surplus last year. USDA expects the 1981 surplus to be even larger.

Without these surpluses, our trade ledger would stand in the red by a very large amount. Agricultural exports are simply essential to our international balance-of-trade position.

I am proud that my own State of Illinois leads the Nation in the export of agricultural products. Corn and soybeans are the two commodities that dominate Illinois' export sector, but we are strong in a wide variety of other agricultural exports, too.

On the manufacturing side, Illinois is the Nation's No. 2 exporter. One of the reasons for the State's top ranking is the preeminence of the Caterpillar Tractor Co., which exports nearly 50 percent of its U.S. production.

No one knows exporting as well as Lee Morgan, chairman of Caterpillar, and when he speaks, there is good reason to listen.

Earlier this month, on October 5, Lee Morgan spoke on the vitality of exporting before the Rotary of Davenport, Iowa. In his address, Mr. Morgan said:

Further expansion of U.S. exports is necessary if we are to reverse the trade deficits of recent years. We must increase exports of both agricultural products and manufactured goods . . . and for many reasons in addition to the need for an improved trade balance.

I commend this speech to my colleagues for Mr. Morgan's discussion of the several reasons why expanded exporting is crucial to our economy.

Mr. President, I ask unanimous consent that Lee Morgan's address be included in the RECORD in full at the close of my remarks.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. (See exhibit 1.)

At the close of his remarks, Lee Morgan makes a valuable economic observation. I should like to quote that passage because it is important to remember:

I started out talking about the agricultural richness, of Iowa and Illinois . . . the importance of agricultural exports to the U.S. economy . . . and the need for America to increase its export volume of both manufactured and agricultural goods. For that to happen, we must restore America's competitiveness . . . both through private sector and governmental action . . . and the world's governments must move away from policies of protectionism and economic nationalism.

Just as Illinois and Iowa help feed the world, our country can help lead the world to more prosperity . . . and, ultimately—we fervently hope—to a more peaceful, fulfilling life for all people.

#### EXHIBIT I

#### ILLINOIS AND IOWA: THE ONE-TWO PUNCH IN EXPORTS

(By Lee L. Morgan)

I always welcome the chance to come to the Quad Cities. The short trip up here is refreshing, and it's a pleasure to see the



cornfields in early fall. This is an area of beauty . . . and an area of agricultural richness that few places in the world can equal.

Our two states, in fact—Illinois and Iowa—lead the nation in export of agricultural produce. Illinois ships more ag products abroad than any other state, and Iowa is a close second. We literally help feed much of the world . . . and the abundance of our land generates export income that dramatically helps the economic well-being of the rest of America.

Last year the United States—led by Illinois and Iowa—exported almost \$43 billion in agricultural produce . . . while imports were only \$17 billion. That gave the country a positive agricultural trade balance of \$26 billion.

But in total trade . . . including manufactured goods and petroleum products . . . the United States had a deficit last year of more than \$36 billion.

A positive balance in agriculture . . . a negative balance overall.

In fact, without the \$26 billion positive contribution from agriculture, our national trade deficit would have soared to \$62 billion—and that would have been a heavy blow to our already shaky economy.

The people of Illinois and Iowa have a right to be proud. Their stewardship of the land contributes enormously to the country's economy, and ultimately benefits all Americans.

But further expansion of U.S. exports is necessary if we are to reverse the trade deficits of recent years. We must increase exports of both agricultural products and manufactured goods . . . and for many reasons in addition to the need for an improved trade balance.

One reason, of course, is that exports create jobs. Last year for example, about 47 percent of Caterpillar's U.S. production was exported. Those exports thus provided jobs for nearly half of our U.S. employees . . . including many employees here in the Quad Cities area . . . a total of 31,000 employees at Caterpillar facilities across the United States.

That's only part of the story. Caterpillar exports also result in jobs for suppliers and others whose livelihood depends on Caterpillar's presence; and we have a lot of suppliers in the Quad Cities area.

Consider two congressional districts: the First District of Iowa and the Nineteenth District of Illinois. Our 1980 purchases in these two districts totaled just over \$100 million . . . from 537 suppliers. Almost half those purchases were made possible by Caterpillar exports. That translates into roughly 1,700 supplier jobs in Jim Leach's and Tom Railsback's districts . . . made possible by Caterpillar exports.

Increased export volume also enables companies to benefit from economies of scale, to spread the costs of research development, production, and marketing over a broader customer base. And export sales provide an extra source of capital for investment, as additional cash enters the U.S. capital stream.

The list of benefits goes on. Export sales generate more taxable income as a source of governmental revenues. Expanded export volume helps us pay for oil imports and essential raw materials. Exports help fight inflation and raise productivity.

And the President's Export Council contends that export expansion would help restore U.S. economic, military, and diplomatic credibility . . . thus assisting the pursuit of a more peaceful and prosperous world.

We need the benefits of export business . . . and, equally so, we need the benefits of imports. Trade is a two-way street.

In fact, the only way in the long run to increase our exports is to also increase our imports.

Our exports need to find foreign buyers with the dollars necessary to buy our goods and services. In general, these dollars are obtained when Americans import and pay for foreign goods and services.

Thus, imports put dollars in the hands of foreigners—which can then be used to buy our exports. It follows that restrictions on imports will result in fewer dollars in the hands of those in other countries who might want to buy our corn, soybeans, tractors, machinery, chemicals, and other products—unless we wish to make up the difference by loans or transfer payments, that in turn increase U.S. budget deficits. The better alternative is free and open trade.

We have an administration in Washington that strongly supports expanded trade. Business leaders are almost unanimous in their endorsement of more trade. And I recently saw a survey that showed the vast majority of Americans support governmental programs that would encourage businesses to engage in more international trade.

Why, then—with all these benefits to be derived from international trade, and with support for expanded trade from so many sectors of our society—why, then, has America lost its leadership position in trade?

And we have lost it. West Germany now exports more manufactured goods than we do and Japan is not far behind us. Both maintain a better trade balance than we do.

The total volume of world trade last year increased only 1 percent, and this year trade volume may show a decline. If that should happen, it would mark only the second such interruption in the long postwar pattern of growth.

The core of the problem within the United States is that many American industries have lost their competitiveness. And a major problem throughout the world—including our own country—is the growing economic nationalism that hampers open flow of goods and services.

To restore America's international competitiveness, we must do several things. First, of course, we must strengthen the domestic economy. The ball is rolling to get that done.

The Reagan administration, with bipartisan support from Congress, is attacking the overriding problem of inflation. Tax reform, reduced government spending, a more stable and predictable monetary policy, suspension of counter-productive and excessive regulations—all these things are starting to happen.

We're seeing some growth-stimulating actions at the state level, too. In Illinois, for example, recent passage of an Investment Tax Credit and steps toward reform of our costly state unemployment compensation system will help Illinois companies be more competitive in world markets . . . as lower costs help improve price-value ratios of Illinois products.

The Administration in Washington has placed high priority on removal of trade disincentives that hamstring efforts to boost exports. And managers of American companies increasingly are taking steps needed to improve productivity: capital investment, expanded research and engineering programs, overhaul of operations . . . in particular, better use of human resources. At Caterpillar—as just one example—we recently completed an intensive, year-long, worldwide study of human resources and human resources strategies.

A major conclusion: people want to get more involved in their work. They want to

contribute more. Our conference teams came up with dozens of specific proposals about better utilization of the work force; we are already actively pursuing many of them.

The days of treating people as extensions of tools are long gone. The concept of labor as a "commodity" never had any validity, in my opinion. Also gone is the absurd notion that "managers think but workers work"—implying that people in the factories lack brainpower or willingness to employ it.

I believe that the combination of private sector and government action will revitalize the U.S. economy. And a healthy, dynamic, domestic economy will let us become more competitive in the world marketplace. Some of the recovery medicine is bitter, and causing short-term hardship . . . especially to those selling capital goods when interest rates are near 20 percent . . . but it's medicine we must take for long-term well-being.

Along with improvements in our U.S. competitiveness, there has to be a change in the competitive atmosphere around the world—a lessening of economic nationalism.

Competition is the life of business—hobbling restrictions the death of it. That's true internationally . . . as well as here in America. We need fewer restrictions on free competition in world trade. We need a freer flow of goods and services across national borders . . . and laws or codes that enhance competition, not destroy it.

Governments around the world—including our own—too often are responding to sluggish economies by initiating new forms of trade protectionism, new rules to isolate national economies.

In the early postwar years, governments used import duties—tariffs—as the primary means of isolating their economies. Tariffs still exist, of course—but they're relatively less prevalent, less of a problem. A series of multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade—known as GATT—has successfully reduced the use of tariffs around the world. Today, non-tariff barriers are the bigger problem.

GATT has identified 800 forms of non-tariff barriers that circumvent its rules against traditional formal tariffs. From 1974 to 1979, the proportion of the world's manufactured exports covered by import restrictions jumped from 13 percent to about 21 percent. One British economist concludes that we are moving into an area of "managed trade."

U.S. Trade Representative Bill Brock has said, "People are just finding ingenious ways to reduce the opportunity for international trade" . . . and that's true.

One of the simplest forms of non-tariff barrier is the "voluntary" import quota. Country A voluntarily agrees to limit shipments of a product to Country B. The unspoken understanding is that if Country A doesn't cut back, Country B will simply impose some sort of "nonvoluntary" quota.

More complex non-tariff barriers involve methods of setting standards on imports . . . customs evaluations . . . export subsidies . . . government procurement rules . . . and a host of others.

The service sector is another area where protectionism is spreading. A current example—transborder data flow.

This expression refers to the increasing flow of information across national borders, such as airline reservations, financial data, market information, and countless other forms of information.

Countries, understandably, want to ensure that national security and the privacy of individual citizens aren't jeopardized when

such information is sent to other countries. But it's easy for government regulation of data transmissions to turn into serious obstacles to international trade.

The Organization for Economic Cooperation and Development (OECD—an international association of free-world, industrialized countries) has been working on this issue. OECD has developed a set of guidelines that strike a balance between concerns about protection of individual privacy and the need to maintain the free international flow of information. The guidelines are voluntary, but include a set of basic principles which companies are urged to observe in gathering, using, and handling personal data.

Caterpillar supports these guidelines. We hope that if other corporations in OECD member countries voluntarily observe the guidelines, burdensome new government regulations on transborder data flows can be avoided.

Some of the most dangerous forms of economic nationalism are in the field of international investment.

Attempts by governments to manipulate foreign investment to support their national economic goals can do real harm to the free flow of goods and services. Such manipulations can ultimately lead to trade wars with grave political consequences.

One method of manipulation is through performance requirements. A company may have to guarantee minimum employment and export levels, for example, before it can invest in a host country. Just recently, an industrialized country placed these requirements on some potential U.S. investors:

A requirement that the investor bank only with that country's banks and use only their advertising agencies and public accountants;

A requirement that the investor company purchase a specific percentage of its input requirements from local supplier; and

Pressure to move certain manufacturing operations from the United States to the host country.

Such performance requirements generate effects similar to import quotas. The flow of goods and services is artificially restricted. Quotas would be prohibited under the GATT trading rules, but there are no applicable international rules when countries use their investment policies to achieve the same purposes.

We believe it's time to strengthen multilateral discipline and restraint over government actions which distort international investment and trade. In the long run, it is clearly in the interest of all concerned to improve the global efficiency of the international investment system, especially as it affects international trade.

The world's a highly interdependent place . . . and getting more so. All countries need the benefits of export business, just as all countries need the benefits of imports.

Increased trade, for example, is the best way of helping most less developed countries, as Secretary of State Haig said just two weeks ago before the United Nations. He laid out two choices for the world's nations:

"A future of sustainable growth . . . expansion of world trade . . . and reduction of poverty (on the one hand . . . or, the alternative), a future of economic stagnation . . . rising protectionism . . . and the spread of poverty."

Protectionism and stagnation—or expanded trade and economic growth. . . .

Third World diplomats stood in line to congratulate him on that message.

I started out talking about the agricultural richness of Iowa and Illinois . . . the importance of agricultural exports to the U.S. economy . . . and the need for America to increase its export volume of both manufactured and agricultural goods. For that to happen, we must restore America's competitiveness . . . both through private sector and governmental action . . . and the world's

governments must move away from policies of protectionism and economic nationalism.

Benefits will accrue to all nations, not to the United States alone. Those benefits can be reckoned in economic terms . . . yes, and also in terms of international understanding and peace among the nations.

Just as Illinois and Iowa help feed the world, our country can help lead the world to more prosperity . . . and, ultimately—we fervently hope—to a more peaceful, fulfilling life for all people.

#### RECOGNITION OF SENATOR STENNIS

The ACTING PRESIDENT pro tempore. Under the previous order, the Senator from Mississippi is recognized for a period not to exceed 15 minutes.

Mr. STENNIS. I thank the Chair.

#### S. 1768—INVESTMENT OF SOCIAL SECURITY TRUST FUNDS

Mr. STENNIS. Mr. President, the matter to which I will discuss is important both moneywise and in principle. It is a part of an effort to secure and increase the yield on the social security system trust funds. We also want to assure that social security collections are in fact treated and handled as trust funds. This is not money owned by the Government. It is owned by and held in trust for the people who have paid the money in. The measure that I will propose refers to the manner in which the trust funds are invested and the interest earned on them.

I am proposing changing the custom of investing these trust funds in Government obligations that pay less than the current going interest rate. This results in a lesser yield to the trust fund and, therefore, less money in the trust fund at the end of the year. That is favoring the other departments of Government and saving money so far as the interest on the national debt is concerned but this is at the expense of a fund that is not owned by the Government. As I say, it belongs in trust to the people who paid that money in.

The social security payroll taxes are required by law to be placed in three separate trust funds, these being the old age and survivors insurance trust fund, the disability insurance trust fund, and the hospital insurance trust fund. Those who manage these trust funds act in a fiduciary capacity and have a high degree of responsibility to insure that the trust funds receive the highest possible yield consistent with the safety of the investment. Good business practices demand this and present and future retirees are entitled to nothing less.

I was, therefore, surprised if not shocked, Mr. President, to learn that, in fiscal year 1981, the social security trust funds earned only 8.3 percent on a portfolio which, on June 3, 1980, had assets of almost \$47 billion. During the same period, money market funds, which were invested exclusively in Government securities, earned 13.5 percent or more.

That difference, Mr. President, was at the expense of the social security trust funds. It benefited the general fund of the Treasury, but the fact remains that those funds were not general funds and

did not belong to the Treasury. They belonged to the people who paid them in.

We are not talking about insignificant amounts, Mr. President. If the social security trust funds had paid a return of as much as money market funds earned, then they would have earned about \$2 billion more than they did in calendar year 1980. This would have erased about 60 percent of the deficit which the trust funds incurred in calendar year 1980.

This was no accident, Mr. President. It was deliberately done. I know there was no moral wrongdoing, no violation of law, and I impute only integrity to the Board—nothing less than that. It is a discretionary matter that the existing law permits and addresses to their judgment. It is the responsibility of Congress to remedy that chuckhole, close it, and provide, as I have already outlined, that the funds must be invested in Government securities which will pay the highest level of return consistent with the safety of the investment. The trust funds should certainly earn what the market will safely bring.

I emphasize again that I am not imputing any bad motives to the trustees charged with the investment of these funds.

At present social security trust funds can by law be invested in any Government or Government-guaranteed securities. Despite this, and with securities having a substantially higher yield available, over 90 percent of the money was invested in so-called Treasury Department special issues. In fiscal year 1980, most of these special issues carried an interest rate of 7 percent. Only \$6.3 billion of these special issues carried an interest rate in the range of 9 percent.

These funds, as I said on October 15, are managed by the Treasury, and it appears that, instead of making every effort to maximize the return on the social security trust funds, those managing the funds acted in the interest of the Treasury and deliberately minimized the return on the trust funds, thereby favoring a reduction of the interest on the national debt.

This is a situation that cannot be countenanced, Mr. President. I hope some day to see a surplus in social security funds, plus a margin of safety. Present and future retirees are entitled to the assurance that their trust funds are safe and secure. If we are to ever get to that point, several actions must be taken including absolute assurance that every dollar in the trust funds earns the maximum amount available consistent with the safety of the investment. I want to see a social security system which is solid and secure and which is financially able to stand on its own bottom.

I sincerely believe that it is a mistake to prefer general fund obligations and interest payments over the best interests of the social security fund assets. The trustees of the social security fund must recognize the fiduciary nature of their actions and make every effort, as prudent businessmen, to increase the return to the social security trust funds.

As I have said, Mr. President, if this bill had been law, it would have benefited the trust funds by \$2 billion in 1980. I

have confidence that the Committee on Finance will look into this matter and report out legislation which will correct what to me is an intolerable situation. It is for this reason that I introduce this bill.

I would certainly like to see a hearing on these matters, to make sure we have all the facts and to see what the alternatives there are. The money belongs to those people who paid it in. It is held by the Government in trust, and the Government is supposed to get the highest rate of interest Government securities are paying, and then put that money, earned by way of interest, back into the fund, for the benefit of those people who paid it in and for the benefit of present and future retirees.

Mr. President, I ask unanimous consent to have the bill printed in the RECORD and that it be appropriately referred.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the bill will be printed in the RECORD.

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

## S. 1768

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 201(d) of the Social Security Act is amended—*

(1) by striking out the first sentence and inserting in lieu thereof the following: "It shall be the duty of the Board of Trustees to invest such portion of the Trust Funds as is not, in its judgment, required to meet current withdrawals, and such investments shall be made so as to secure the maximum possible interest yield, commensurate with the safety of the Trust Funds."; and

(2) by striking out "which are not due or callable until after the expiration of four years from the end of such calendar month" and inserting in lieu thereof the following: "all marketable interest-bearing obligations which are not obligations of the United States but which are guaranteed as to both principal and interest by the United States, and all marketable federally sponsored agency interest-bearing obligations that are designated in the laws authorizing their issuance as lawful investments for fiduciary and trust funds under the control and authority of the United States or any officer of the United States".

(b) Section 1817(c) of such Act is amended—

(1) by striking out the first sentence and inserting in lieu thereof the following: "It shall be the duty of the Board of Trustees to invest such portion of the Trust Fund as is not, in its judgment, required to meet current withdrawals, and such investments shall be made so as to secure the maximum possible interest yield, commensurate with the safety of the Trust Fund."; and

(2) by striking out "which are not due or callable until after the expiration of 4 years from the end of such calendar month" and inserting in lieu thereof the following: "all marketable interest-bearing obligations which are not obligations of the United States but which are guaranteed as to both principal and interest by the United States, and all marketable federally sponsored agency interest-bearing obligations that are designated in the laws authorizing their issuance as lawful investments for fiduciary and trust funds under the control and authority of the United States or any officer of the United States".

(c) Section 1841(c) of such Act is amended—

(1) by striking out the first sentence and inserting in lieu thereof the following: "It shall be the duty of the Board of Trustees to invest such portion of the Trust Fund as is not, in its judgment, required to meet current withdrawals, and such investments shall be made so as to secure the maximum possible interest yields, commensurate with the safety of the Trust Fund."; and

(2) by striking out "which are not due or callable until after the expiration of 4 years from the end of such calendar month" and inserting in lieu thereof the following: "all marketable interest-bearing obligations which are not obligations of the United States but which are guaranteed as to both principal and interest by the United States, and all marketable federally sponsored agency interest-bearing obligations that are designated in the laws authorizing their issuance as lawful investments for fiduciary and trust funds under the control and authority of the United States or any officer of the United States".

CRIMINAL LAW ENFORCEMENT  
BILLS

Mr. STENNIS. Mr. President, under our system of government the role of the Federal Government in combating crime is somewhat limited. However, in proper cases, especially those involving interstate transactions and activities, the Federal authorities can and do play important and vital roles. Many crimes do in fact involve interstate activities and transactions. This is particularly true of traditional organized crime syndicates and other criminal groups, such as narcotic and smuggling rings and prison gangs.

Mr. President, I was a district prosecuting attorney for several years, and later I was a circuit judge, a trial judge of unlimited criminal and civil jurisdiction. So I have spent years in the courtroom, dealing part of the time with the matter of crime. I know by experience something about the practical side, but it has been a good while since I was a judge; and things have developed that are far worse in this field than anything I encountered, especially in connection with the drug traffic.

Crimes of all types are on the increase. This is particularly true of organized crime and other crimes which make use of interstate facilities or cross State lines. This is a very serious and important matter and, as a Federal legislator, I am very anxious that the hand of the Federal Government in fighting this type of crime be strengthened to the greatest extent possible. It is, therefore, very important that we act promptly to give the Federal authorities the tools and authority they need, including new statutes to deal with and support those aspects of criminal activities which are proper and legitimate concerns and targets of the Federal Government.

Therefore, I was very pleased to join with the distinguished Senator from Georgia, Senator NUNN, and others in cosponsoring three bills which, in my opinion, would give Federal law enforcement agencies and Federal courts important new powers and tools to use in the never-ending war against crime and other criminal activities. These bills would be particularly effective against organized crime and its use of violence

and extortion. Violence and extortion—that, unfortunately, is the tune of the times.

The first of these bills is S. 814, Organized Crime Act of 1981. It is specifically designed to assist the Federal Government in combating the violent aspects of organized criminal activity. However, it would be of general application and therefore would also serve to bolster the Government's efforts to fight all violent crimes. Such crimes have become one of our most serious and alarming domestic problems, and we must do everything we can to suppress them and punish the criminals.

The second bill is S. 1163, Labor Racketeering Act of 1981. There is a great deal of evidence which suggests that, through a system of payoffs, blackmail, and other criminal activities, the Nation's waterfronts are increasingly being dominated by organized criminal activities. S. 1163 is designed to help ease the problems of corruption on the Nation's waterfronts. It increases criminal penalties for violation of the Taft-Hartley Act and provides for the immediate suspension of convicted persons from union offices. It is designed not only to suppress and punish crime but to rid labor organizations and employee pension plans of the influence of persons convicted of criminal offenses.

The third bill is S. 732, legislation to strengthen the fight against organized crime and illegal narcotics. The purpose of this bill is to make financial and tax records an effective tool in piercing the veil of secrecy that protects those at the top of any organized crime ring, whether it be drug smuggling operations or traditional criminal activities carried on by organized crime. This bill passed the Senate as an amendment to the Economic Recovery Tax Act of 1981, but, unfortunately, was eliminated in the House-Senate conference.

I referred to my experience in the courtroom as part of the background that makes me realize the difficulties in connection with effective law enforcement and the difficulties that go with the problem.

I am not satisfied just to hear somebody talk about it or just to read about it. I went out and contacted law enforcement officers in my State, men I personally knew, and knew to be responsible, reliable, and experienced. I talked to the policemen, to the sheriffs, to their chief deputies. I talked to the prosecuting attorneys, not in one place but in several.

These matters are the hard realities; they are problems that permeate almost every segment of other criminal activities.

I will not describe the matters in detail, but there is a ring of runners of narcotics that has been cut off from one area of entrance into the United States, through very effective Federal and State cooperation, and the drug runners have started bringing it in at another place. Part of that route to the marketplace, and the big money, comes through my State.

So, experience with these things makes us realize what it is and makes us more inclined to try to do something about it.

The evidence indicates that the one law enforcement agency that organized crime fears most is the Internal Revenue Service. For a number of reasons, one being the antidisclosure provisions of the Tax Reform Act of 1978, the IRS has almost withdrawn from the battle against organized crime.

I believe that the IRS should once again become the force in crime fighting that it was in the days of bootlegging and rumrunners. If S. 732 is passed, it can do just that. I feel that this is very well reasoned legislation and will retain the very important privacy safeguards and prohibitions against disclosure which will prevent the repetition of past abuses. At the same time, it will enable the IRS to cooperate once again with the fight against ever-increasing organized criminal activities and narcotics problems facing the Nation.

Mr. President, stamping out criminal activities, and particularly organized crime and the violent crimes arising therefrom, is one of the most vital and important functions of our Government. As I stated at the outset, these bills will give Federal law enforcement agencies and Federal courts important new tools to strengthen them in the fight against the wave of organized and violent crime which is sweeping this country. The activities against which these bills are directed fall squarely within Federal jurisdiction and will enable Federal law enforcement agencies to play important roles, in cooperation with the police authorities of the States, in fighting and punishing those who perpetrate crimes of an interstate nature or which are otherwise within the jurisdiction of Federal authorities.

I highly commend the Senator from Georgia and the other cosponsors of these bills on the fine work they did in developing the facts and drafting this important legislation. I was glad to join in cosponsoring these bills. I hope that they will ultimately be passed by both Houses and be signed into law. If that occurs, we will have taken a significant step forward in providing new weapons for use against organized crime syndicates, narcotic and smuggling rings, and other criminal activities.

That is the background of my knowledge of the problem, and I have pride in the work that has been done on these bills by the Senator from Georgia (Mr. NUNN), who held the hearings, and others who contributed to the drafting of these measures.

I will support these proposals in every way I can, so that they can help solve the problems. I do not want to get our Armed Forces into primary activities of enforcing the law, but some modification of the law in order to make more possible the enforcement of a law such as this would be justified. I would be willing to do what I could to help bring about a reasonable and limited modification of our law with reference to the activities of our armed forces, particularly those that pertain to covering matters beyond our shoreline.

Mr. President, I appreciate the Senate having allocated this time to me, and giving me an opportunity to get into

the record and out into the public domain the knowledge I have of this problem, and an outline of what I believe is the beginning of a necessary step in the field of law enforcement. I pledge to follow up on this matter and to follow it through with reference to obtaining the necessary legislation.

Mr. President, how much time do I have remaining?

The ACTING PRESIDENT pro tempore. The Senator has a minute-and-a-half remaining.

Mr. STENNIS. I thank the Chair. I yield the floor.

#### ROUTINE MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, there will now be a period for the transaction of routine morning business for not to extend beyond the hour of 11 a.m. with statements therein limited to 3 minutes each.

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

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

The bill clerk proceeded to call the roll.

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

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

#### SOVIET ELITE PERCEPTIONS OF THE UNITED STATES

Mr. MATHIAS. Mr. President, during the Labor Day recess, Senator CRANSTON and I spent a week in Moscow talking with various Soviet officials trying to assess first-hand the prospects for a constructive dialog between the superpowers. I shall be reporting on that trip in full to the Committee on Foreign Relations and will not anticipate myself here.

I would like, however, to mention one strong impression that those talks left with me. It was of the vast discrepancies between how we, in the United States, and how they, in the Soviet Union, often view the same event. Our interpretation of identical empirical data, of specific events—such as what happened in Afghanistan, or what did not happen on SALT II—diverge dramatically and dangerously.

Soviet Foreign Minister Andrei Gromyko, for example, appeared to be genuinely convinced that SALT II was still alive, if not kicking. We may have disabused him of that idea, but only with the greatest difficulty, so tenaciously did he cling to it.

The danger of allowing such misperceptions to exist outside the framework of a continuing dialog are obvious. Left to itself, the Soviet Union will only become more introverted and regressive and difficult to deal with. So, without relaxing our own standards—without, for example, ratifying the situation in Afghanistan, or accepting a SALT agreement that is inadequate to our needs—we must keep some sort of continuing dialog going. The negotiations scheduled to begin on November 30 in Geneva on

theater nuclear forces are a welcome beginning.

As if to underscore my own impressions of the misperceptions rampant in the Soviet Union, the U.S. International Communication Agency has just released a research report entitled "Soviet Elites: World View and Perceptions of the U.S." This is an update of a 1980 USICA study, prepared by Gregory Guroff and Steven Grant of the Office of Research, which broke new ground in revealing to us the distorted prism through which Soviet citizens view us and the rest of the world. Centuries ago Robert Burns wrote:

Oh, wad some power the giftie gie us  
To see oursels as others see us!  
It wad frae monie a blunder free us,  
An' foolish notion.

No power has yet given us that priceless gift. But every now and then we get some insight into how others see us. The USICA study provides insights in abundance. It merits serious attention because, no matter how convinced we are of the correctness of our own world view, in any relationship there are two sides and we cannot lightly dismiss the views of the opposing side, no matter how benighted they seem, except at grave peril to ourselves.

If it were not upwards of 40 pages long, I would introduce the entire ICA report into the RECORD because it deserves wide circulation. In the interests of economy, however, I would like to call my colleagues' attention to the longer study and ask unanimous consent that a brief summary of the report be printed in the RECORD at this point.

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

#### SOVIET ELITE PERCEPTIONS OF THE U.S.

This report—updating a 1980 USICA study—describes the views of members of the middle to upper-middle levels of the Soviet official world, who are primarily of Slavic nationality and mainly resident in Moscow. The data come from in-depth interviewing of 160 West Europeans and Americans who have long-time and recent contact with members of the Soviet elite. These interviews—with diplomats, journalists, businessmen, and academics—provide surrogate information about the world view of Soviet elites.

Soviet elites mix fear and optimism in their world outlook. Fear arises from a continuing sense of encirclement, from a view that the USSR is the only great power that faces every other major power as an adversary, and from an awareness of mounting domestic problems. These fears are in part balanced by a perception of their increased military strength, some Third World successes, and a sense, until recently, that the U.S. had retreated from its world role.

Foreign policy attitudes of Soviet elites are conditioned by their historical view of the Soviet Union as "acted upon"—that the USSR acts defensively and would not be the aggressor in any war.

They do not accept the way in which the U.S. applies the concept of "linkage" to the Soviet Union.

They place detente in the narrow context of Europe alone, seeing it as a way to gain stability and establish Soviet legitimacy there.

With rising concern over the faltering domestic economy, Soviet elites openly discuss and complain about the perceived costs of

Soviet foreign policy—economic and military assistance.

#### THE SOVIET-AMERICAN RELATIONSHIP

The superpower relationship remains the single most important international concern for these Soviets. The downturn in relations has created doubt about ultimate U.S. intentions toward the Soviet Union and there is a sense of increased American hostility toward the USSR. However, there remains a feeling that the chaotic and frightening outside world can best be regulated through the cooperative efforts of the two superpowers—although this is seen as less feasible than it was a few years ago.

Soviet elites perceive the American threat as follows:

The U.S. is the only power that can severely damage the USSR.

Direct confrontation is most likely to arise unintentionally from third-country issues in which each superpower has a major stake.

The U.S. is the omnipresent obstacle to Soviet objectives and expansion—though these Soviets would use the term "security," arguing that the Soviet Union is not an expansionist power.

The U.S. is technologically more sophisticated and economically stronger. With a determined effort, it could upset the current parity in arms.

The American arms buildup is less an immediate military threat than it is economic warfare designed to bankrupt the Soviet economy.

American embargoes on grain and technology have adversely affected the Soviet economy—a further indication of the U.S. desire to wage economic warfare.

These Soviets believe that recent U.S. policy has been basically anti-Soviet, albeit inconsistent and unpredictable in its implementation.

Soviet elite attitudes toward the Reagan administration are in flux. Some hope remains that this administration will be like Nixon's. But the earlier wait-and-see attitude is waning. Currently, there is a serious debate over whether or not they can do business with this administration.

The administration has established high credibility for its determination to expand American military capabilities. The main Soviet question is whether this is a prelude to arms negotiations or a drive for military superiority. Most elites suspect the latter, but hope for the former.

#### SOVIET GLOBAL CONCERNS

There is a striking discrepancy in Soviet elite attitudes toward China. China is viewed as the enemy and the primary long-term threat to the USSR. But even those who recognize that China is not currently a military threat still exhibit a visceral fear of the Chinese arising from deep racial, ethnic, ideological, and historical animosities.

Afghanistan has receded as an issue, replaced largely by concern over Poland. Soviet elites assert their inherent right to deal with instability on their own borders, although they increasingly admit that they miscalculated both Western reaction and the difficulties they would encounter in Afghanistan.

Most elites deny that the USSR had broader aims of expansion beyond Afghanistan. They seem confused about U.S. interest in such a remote area, and why it should affect the superpower relationship. However, while seeing Western reactions as inappropriate, they have accepted the persistent fact of Western concern.

Whether or not Soviet elites understand the linkage between Afghanistan and Western reactions, they understand instinctively the importance of Poland to East-West relations. Soviets are distinctly unsympathetic to the Poles, seeing them as ungrateful for Soviet rescue of the Polish nation in World War II and for Soviet protection and aid since. Few elites believe that intervention

is imminent. Yet, they seem to accept unquestioningly that if activities in Poland were defined as anti-Soviet (or anti-Russian) they would have a natural right to act.

Few, if any, Soviet elites see Western Europe as a military threat. NATO is seen largely as an extension of American power into Europe—the mirror image of the USSR's Warsaw Pact, and thus unsettling.

Soviet elites prefer to see and deal with Western European countries in bilateral terms. They downplay or avoid discussing the movement toward greater integration. Their attitudes toward individual countries vary, but they are most ambivalent about the Germans. West Germany is admired, disliked, even feared.

#### UNDERSTANDING U.S. SOCIAL/POLITICAL PROGRESS

Soviet elites greatly value personal relationships as underpinning international relations. They see the continuity in their system as a great strength, while viewing the changing cast of American political personalities as both a systemic weakness and an obstacle to their understanding of the U.S.

Soviet elites' understanding of U.S. policy and society varies greatly in breadth and depth. The most sophisticated students of American life have a basic grasp of the mechanics of American government, often with an amazing command of factual detail about individuals and institutions. There may even be a small handful of specialists who have developed a real "feel" for the U.S. foreign policy process, but they have great difficulty communicating their understanding to other elements within the Soviet elite.

The very openness of Western societies most confuses Soviet elites. They find it virtually impossible to understand the role of such diverse elements as the media, a loyal opposition, or public opinion—which are controlled or nonexistent in their own society.

Soviet elites' ambivalence is most pronounced in their attitudes toward American society. The concept of freedom is both admired and dreaded. To them it means the ability to travel freely, at home and abroad, to be socially, geographically, and occupationally mobile. This kind of freedom is treasured by Soviet elites, prized mostly for its absence in their own society. But American freedom is also perceived as license, lack of control verging on anarchy, and loss of security.

Finally, while condemning the U.S. for being too materialistic, Soviet elites are unself-consciously materialistic themselves. Nonetheless, they assert that they have retained many of the traditional, even spiritual, values of family, friendship, and nature which provide life with security and meaning, and view the U.S. as a place where these values have all but disappeared.

#### THE DETERIORATING ECONOMY

Mr. EAGLETON. Mr. President, by any fair evaluation, the economy is deteriorating very, very rapidly. The figures and statistics are very ominous on a number of fronts: Inflation, unemployment, long-term interest rates, auto sales, housing starts, business bankruptcies and closings, et cetera. Pick whatever statistic you like and the prospect is the same—grim.

Mr. President, I ask unanimous consent to have printed in the RECORD three items which I urge my colleagues to read.

First, the now famous speech by Henry Kaufman, vice president and chief economist of Salomon Bros., delivered before

the National Press Club on April 22, 1981. Kaufman predicted the economic dilemma we are now in. He was right and he was early.

Second, Mr. Kaufman's more recent speech, which he delivered before the Financial Executives Institute 50th International Conference in New York City on October 12, 1981.

Third, an article by former Secretary of the Treasury and former chief executive officer of the Bendix Corp., Mr. W. Michael Blumenthal. Mr. Blumenthal who is currently chairman of the Burroughs Corp., points out to President Reagan some very valuable lessons he might learn from mistakes made during the Carter administration when President Carter "lost the opportunity to show decisive leadership by adjusting his program to fit new conditions."

President Reagan must now realize that he has a major economic dilemma on his hands. The tax cut signed into law in August was so bloated as to make nightmarish Federal deficits inevitable for years and years to come. Even the President's closest economic advisers recognize this and whisper it in private. President Reagan must act and act now to rectify those excesses. If he does not, he will remain the captive of monetarist economics. He will be traveling the road of Milton Friedman and Margaret Thatcher. It is a catch-22 road of grave economic consequences.

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

#### THE POTENTIAL FOR CONFLICT IN NATIONAL POLICIES AND IN FINANCIAL MARKETS

(By Henry Kaufman)

When I was asked to address the National Press Club, I readily accepted the invitation because I believe it is more important now than ever before that there be an ongoing exchange of views between our political and financial centers. Many members of this distinguished Club contribute to the assessment of the critical issues facing our nation. More than any other group of journalists, you are responsible for monitoring the links between politics and economics, and for discerning the differences between the political ideal of what should be and the reality of what is and what will be. This task, especially where it involves economics and finance, has become formidable in recent years. No longer can we rest assured that our economy and financial markets will behave in the classical cyclical pattern, with all the predictability which that implies. This assurance has been shattered by structural changes, by many inept national stabilization strategies, and by some external shocks.

The economic recovery that began last summer can also be distinguished from earlier business expansions in a variety of ways. These unusual elements include the following: (1) The economy is incorrectly perceived as brittle, when it actually has good momentum; incidentally, similar misconceptions were held at some earlier comparable periods. (2) Inflation is not about to be resolved. (3) Fiscal policy will continue to be expansionary. (4) Therefore, a great burden will be placed on monetary policy and on the financial markets. The net result is likely to be conflicts in national policies and in financial markets.

#### UNDERESTIMATING THE ECONOMY

Underestimating the underlying momentum of the economy is reflected in prelimi-

nary economic statistics and in many forecasts. This shortcoming in the preliminary data was vividly illustrated a few months ago by the large upward revisions in Gross National Product data for the past decade. For example, for the economic expansion in the years 1976 through 1979, real GNP was revised upward by \$148 billion total, or 5.7 percent, business outlays for plant and equipment by \$71 billion, or 8.5 percent, and personal savings as a percentage of disposable income averaged 0.7 percentage point higher. The errors contained in many of the preliminary statistics serve notice on us all to recognize the inadequacies of a lot of current information.

The inadequate recognition in many forecasts of the underlying strengths of the economy can be ascribed to the failure to realize the economic impact of a more liberated financial system. What years ago would have been regarded as large, punishing increases in interest rates no longer brings to a quick end an overheated business boom, or rapidly restores the economy to stability. The adaptation of finance to inflation has changed all that.

Consider these differences between two periods 14 years apart. In 1966, when the economy experienced the first full-fledged credit crunch, markets were tight and extremely apprehensive, as interest rates reached the then lofty highs of 6 percent for the prime loan rate and 5.56 percent for three-month Treasury bills. Indeed, the mortgage and housing markets virtually ceased to function when corporate bond rates broke out of a 100-year trading range and exceeded 6 percent. By contrast in the past six months when the prime touched a record of 21.50 percent and three-month Treasury bills 17.05 percent, financial markets were not even as taut or as apprehensive as they had been back in 1966. I find no comfort in this change. Yet, it does suggest two things. One is the extent to which climbing interest rates have lost their restrictive influence on the economy. The other is the rocket trajectory that interest rates may follow if we continue to rely upon them as the main force for stabilizing the economy. Indeed, in contrast to the past, it seems that any given increase in interest rates is less inhibiting, and any decline is more stimulating.

The misreading of the implications of interest rate increases in the second half of 1980 was partly responsible for many of the "double dip" economic projections for 1981—projections that seem to me to be highly unlikely to hit the mark. The 5 percent annual rate of real growth estimated on a preliminary basis for the first quarter shows remarkable economic resiliency, reflecting the strength of a more service-oriented—and consequently less cyclically vulnerable—economy, the support from a very expansionary fiscal policy, continued high levels of consumer spending, and evidence of a new surge in business expenditures.

In fact, the heady interest rates thus far in this business recovery have been a fundamental element of support to the business picture, because high financing costs have forced business to maintain low inventories. All this transpired without a full cyclical rebound in new housing activity and in domestic auto production. A cyclical participation by these two laggard sectors would have caused anxieties about economic overheating instead of "double dip." While the auto market may continue to show moderate improvement for the balance of the year, there are no such prospects for new housing. Construction activity is the victim of spiraling costs, diminishing incentives to provide financing, and limited credit. The pressure on deposit-type institutions specializing in housing financing cannot be lifted quickly. Their capital has been impaired by their inability to join the ranks of those in-

stitutions that have adjusted to a new world of finance by means of more or less fixed spreads against floating costs. This is the new key to financial viability.

#### AN EXPANSIONARY FISCAL POLICY

While some slowing in the pace of economic activity is probable this quarter, another acceleration is in prospect for the second half. The powerful stimulative combination of large tax cuts and sizable increases in defense spending is likely to more than offset the restraining influence of a slowing in Federal expenditures, even with some presumed revenue feedback from the tax cut. Think of it in these terms for fiscal 1982, according to the Administration's proposals, stimulants from tax cuts will amount to \$54 billion and increases in defense spending with total \$27 billion. But, constraints resulting from the sharply slower growth of non-defense outlays of the Government will total \$46 billion. The stimulants are bound to have a greater demand multiplier impact than the negative impact coming from a slower growth in non-defense outlays.

The influence on our economy caused by the rise in defense expenditures—expenditures that I believe are vital to our nation—is probably not fully appreciated. We have not had a flourishing defense sector for well over a decade. The last giant step-up in defense outlays was during the height of the Vietnam War from 1966 to 1968, when real defense spending ballooned by an average annual rate of 13.7 percent. During that period, the rate of inflation was low. The GNP deflator averaged only 3.5 percent, the U.S. budget deficit averaged only \$12.6 billion a year. From 1969 through 1978, defense outlays contracted in real terms by 3.9 percent yearly. Now, the average annual increase in real defense outlays, as proposed by the Administration, will be roughly 9 percent a year from fiscal 1981 through 1984. And this time around, the increase is coming when inflation is high and budget deficits are large (see Table 1).

Early signs of the potential impact of increased military expenditures are beginning to be seen. For example, the monthly military prime contract awards of the Defense Department averaged 30 percent higher in 1980 than in 1978—twice as large as average awards during the 1966-68 era (see Chart 1). Unfilled defense orders at manufacturers totaled \$63 billion early this year, compared with \$48 billion a year ago, and \$35 billion at the start of 1978 (see Chart 2).

I do not question the goals of the new Administration. Lowering the profile of our Government's role in economic life is laudable and deserves support. The new fiscal policy, however, is exceedingly expansionary, does not pursue a course that fights inflation vigorously along the way, and will place nearly all the anti-inflation efforts squarely on monetary policy.

I am not convinced that there is real historical evidence to suggest that across-the-board tax cuts will quickly encourage Americans to work harder or to save more. Can it really be assumed during the next year or two that this fiscal strategy will reduce wage settlement increases to single digits, or will remove the rigidities in our wage and price structure? Calling attention to the beneficial impacts of earlier tax cuts is misleading. There is no precedent for taxes being lowered against a backdrop of rising defense expenditures and high inflation. I suspect that inflationary expectations will not be curbed by the slowing in the growth of Federal expenditures; expectations will remain high because the financing requirements of the Government will remain high.

At this time, it is also important to recognize that beating inflation becomes more difficult as an economic expansion ages. I am not talking here about the next quarter or two. When a business recovery is young,

inflation is slowed temporarily by a variety of transitory forces. Productivity, benefiting from low utilization of resources, jumps sharply. Demands are held to moderate proportions by business through conservative inventory policies and modest increases in capital outlays. If inflation is to be blunted as the economy continues to grow, fiscal expansion should then quickly move to neutrality. Unfortunately, this is not the direction that fiscal policy is heading during the next few years. There is one aspect of inflation from which we should learn at least one lesson from the past—namely, that once an economic expansion moves beyond its infancy both wage and price pressure persist. By next year, this current business recovery will be well out of its infancy. This may well present an unusual problem because the inflation rate has remained disquietingly high, even in the infancy of the business recovery. Furthermore, a much desired acceleration in investments in business capital can exert substantial upward pressure on wages and prices because such investments vie for resources that become scarce in the mature phases of expansion.

As I follow the debate concerning the new economic policy proposals, I find that such labels as "economic liberal" or "economic conservative" have lost all their meaning. Many of my economist friends, who were, I thought, conservative tell me that the economy is brittle. This was once the buzzword of my friends with liberal identities. They are now fearful of too large a fiscal stimulus. On the other hand, my conservative friends, who always advocated a balanced budget, now say a budget deficit to finance tax cuts is part of the essential transition for rebalancing the role of our Government. When many of my liberal friends were in power, the Federal Reserve was implicitly saddled with the burden of limiting excesses in the economy. Now, my conservative friends have made this an explicit assignment, while continuing with an expansionary fiscal policy.

#### THE UNUSUAL FEATURES OF THE FINANCIAL SETTING

Heavy reliance upon monetary policy to arrest a wage and price spiral and to temporarily halt other excesses is not new. What today is different from the past is the precarious state of our credit markets even before the current economic recovery moves out of its infancy. Let me illustrate how precarious the financial footings of the private sector are at this early stage of the business recovery.

In the household sector, the financial progress is deceiving. While mortgage and installment debt payment relative to personal income was reduced significantly, this ratio still stood at 21 percent in the fourth quarter of 1980—higher than at any time prior to 1977.

In the business sector, hardly any improvement is visible in corporate balance sheets or in the quality of corporate earnings. Typically, business corporations fund short-term liabilities by financing long, both at the tail end of recession and in the first year or so of business recovery. In the past 20 to 30 years, each of these temporary measures has done little more than interrupt, briefly, an otherwise constant deterioration in the structure of corporate balance sheets. A corporate funding effort was only briefly undertaken last year from about May through July, when an unrivaled volume of new corporate bonds reached the market. Thereafter, because interest rates rose sharply and were very volatile, business corporations adopted an atypical financing strategy for this phase of the business cycle, by resorting primarily to short-term credit facilities.

As a consequence, business corporations are moving through the first year of the current business expansion having done little, if anything, to redress their drastically

weakened financial positions. The ratio of liquid assets to short-term liabilities for all nonfinancial business corporations was only marginally above 1979's record low of 0.65 by year-end 1980. The ratio of corporate long-term debt to short-term debt continued to decline, reaching a record low of 2.6 to 1. The interest expense of corporations in 1980 equalled a record high 45 percent of net profits before taxes, as compared with only 14 percent for the 1960s. All these facts take on added meaning if we consider that, as an economic recovery matures, the financial position of corporations becomes more strained.

#### FINANCIAL IMPLICATIONS

With this backdrop in mind, what can be said about financial prospects for the U.S. during the next year or so, given the heavy influences on fiscal expansion and monetary restraint? As noted earlier, the U.S. Government will continue to be a large demander of credit. According to the Administration's own estimates, the U.S. Treasury's net new cash needs will total an estimated \$62 billion in fiscal 1982 (consisting of the unified budget deficit and the borrowings of the budget agencies, which obtain funds directly from the Treasury). These demands crowd out many business and household borrowers. Hardly a week goes by in which the Treasury is not a net borrower short term. Every month, there is a short-dated coupon issue. Two out of every three months, a mammoth long bond issue is sold.

As corporate borrowing continues to increase, corporate liquidity will erode further. Short-term liabilities will mount. The availability of long-term funds will shrink due to the preferences of investors for short-term high-yielding investments, and the preempting of long-term funds by the U.S. Government.

The availability of funds for housing will continue to be constrained. The savings deposit institutions specializing in housing will try to escape from their specialized functions, and, during this transition most of them will behave more like convalescents than vibrant institutions.

In the credit markets, shorter maturity financing through commercial paper and shorter-dated bonds will accelerate. This will penalize not only business corporations but also state and local Governments, which, in particular, have pressing requirements to finance long term due to the nature of their underlying projects.

In the direct lending market, the importance of commercial banks will increase, but the increasing demands on them will strain their rather slim capital structure.

When the burden of restraining a headstrong economy falls heavily on monetary policy, then higher interest rates are bound to result. Under the monetarist approach, it is difficult to say how high interest rates will go but it is safe to say they will go very much higher than the levels prevailing currently in all maturity sectors. The reasons are found in several features contained in monetarism. For example, a central element of monetarism is to raise, or lower interest rates to whatever level is required to maintain the growth of the money supply within a predetermined targeted range. This, by itself, suggests the continuation of both interest rate volatility and volatility in the yield curve with the likelihood, however, that a negative yield curve will tend to dominate the financial markets for the next year. A negative yield curve will direct more funds away from long markets and will, therefore, further destabilize our debt structure.

Let me also call your attention to two other aspects of major importance concerning monetary policy that will continue to come into play in the period ahead. They involve the perception of risk and the role of financial institutions in thwarting the inten-

tions of the new monetarism to stabilize the economy.

The abandonment of interest rate management a year and a half ago carried with it the underlying argument that greater interest rate volatility would heighten the perception of risk in financial decision-making that was previously lacking. Despite the experience of sharp swings in interest rates and the persistence of an inverted yield curve, credit seems to be readily available at some price. Consequently, a perceived interest rate risk is still lacking under monetarism in our new evolving credit system. The interest rate risk is being taken out of both investing and lending decisions through the creation of new floating rate instruments and the sharp increase in short-term financing. As a result, adaptive institutions push hard to create more debt; the supply of credit is controlled by interest rate spreads rather than by interest rate levels. This, in turn, fosters the perception that there is little risk of credit denial under any set of monetary policy rules. Indeed, this perception may be reinforced by monetarism. The mechanics of monetarism imply that interest rates will be allowed to act as self-correcting force in restoring the rise of money growth to its targeted path. This has been clearly evident in the past nine months, when a sharp surge in money supply was accompanied by rising interest rates, and a slowing in recent months was followed by a fall in rates.

Thus, it appears, the inherent promise of monetarism is made, that once a rapid rise in money growth is halted, interest rates will be allowed to sink rapidly. This creates the ongoing expectation that the market will not be disciplined by credit denial or lastingly high interest rates. Risks will be perceived as high only when interest rates rise to unexpected heights in a brief period, or when non-monetarist tactics are employed to limit the ability of financial institutions to expand liabilities.

In other words, I would expect financial institutions to continue to push hard to create new debt as interest rates rise, and that we in the securities industry will use all our ingenuity to develop many new credit instruments to drive the credit creation mechanism forward. As a result, the gap between classically defined money and debt and nominal GNP will widen until an excruciating high interest rate level crunches the operating decisions of some in the real world.

#### SOME PREREQUISITES

In forging an effective national seablitzation policy, we should recognize that the American economy is as yet far from brittle, but rather is resilient and that the most urgent need is to strike hard against inflation. In this effort, we face formidable obstacles. Inflation is deeply embedded in our expectations and patterns of behavior, and knocking down the inflation rate as we move to a higher utilization of real resources would be an exceptional feat. Massive tax cuts, large leaps in defense spending, and a slowdown in other Government outlays will not, in my opinion, be enough. These measures will place an extraordinary strain on monetary policy, leading to further distortions in financial markets, much higher interest rates, and additional fragility of our financial system.

No one can design a full set of policy prescriptions that will alleviate our problems easily. I applaud the Administration's proposals to strengthen our national defense, to deregulate a variety of business activities, and to find new ways to improve productivity. At best, I can only suggest a few priorities as I see them from my vantage point in the business and financial community.

To fight inflation head on, the need is for the Government to achieve a balanced budget in fiscal 1982. This would chop inflationary expectations and, of equal impor-

tance, would reduce the role of the Government as a powerful demander of credit, thereby freeing savings to finance the private sector. An across-the-board tax cut is inappropriate. A balanced budget achieved through selective tax cuts and tough controls on expenditures would reduce the chances of a credit clash. What we are faced with now is the need for investment incentives more broadly-based than accelerated depreciation. The capital gains tax and double taxation of dividends should be eliminated. This would enhance the capacity for new equity financing and reduce the reliance on debt. The need is for our Government to enforce competitive wage and price practices and not leave adjustments in some sectors to the vagaries of markets where competition is imperfect. The need is also to recognize that mechanical monetarism should not be the main bulwark against inflation. Financial intermediaries should experience the penalties of monetary restraint and not just pass them along to others. Otherwise, the real world will become the hostage of financial institutions.

I believe we have an opportunity to steer the economy back to stability. This opportunity lies in our willingness to do the most difficult thing first—such as balancing the budget next year and enforcing vigorous price competition in economic markets. Such initiatives would strike the hardest blow against inflation and in favor of the credibility of Government to manage effectively.

#### CATCH 22 IN THE AMERICAN ECONOMY AND CREDIT MARKETS

(By Henry Kaufman)

There is an increasing uneasiness about our business and financial prospects, not just on Wall Street but throughout the nation. Conditions in our economy and financial markets are far from ideal at this stage of the current business recovery, which is only one year old and is already showing signs of faltering. In no way has the present expansion had the consistency and vitality of past comparable periods. Financial markets have been under tremendous pressure. These market manifestations historically occur at the end of an economic boom rather than at the start of a recovery.

Extricating ourselves from this unusual setting of a premature weakening in the business cycle and taut financial markets will be arduous. We are encumbered by years of misbehavior as a nation and as individual participants in the social, business and financial process. In addition, despite the Administration's best intentions to do the right thing, its program is creating conflicts in the economy and the markets. The root of this problem is the butting of heads between a stimulative fiscal policy and a Fed policy of monetarism. This combination is continuing to foster the "sputter and spurt economy" we have come to know so well. The underlying risk in this policy conflict is that our credit system will weaken further and, in turn, our economy will experience a greater deterioration.

We are now caught up in a world of Catch 22 situations, a sort of paradox wherein one set of events is contradicted by another set of events through the very nature of the situation. Escapes, if any, are few and hold real problems. The chances of going wrong in anything we do are many. In today's predicament, as in all Catch 22 traps, the best-intended decisions may produce wrong results; measures of relief for some may produce unanticipated pain for others. Under these circumstances, we must regard it as an achievement if our economy continues to sputter and spurt. To expect more, would be downright unrealistic.

There is no parallel in the postwar period for the current business expansion, which began only four quarters ago in the third quarter of 1980. These four quarters have in-

cluded two consecutive quarters of growth, a subsequent quarter of contraction, and another that was either down a little or at best flat. In contrast, in each of the business recoveries in the post World War II period, economic growth was generated in every quarter of the first year. These first-year economic recoveries produced real gains of about 7 percent on average compared with only an estimated 2 percent—2½ percent for the past 12 months. The most glaring weaknesses in the current cyclical upswing have been in the housing and auto sectors. Typically, these are very strong in the initial phases of a business recovery, together with cyclical support from consumption, Federal spending and, to a lesser extent than in the past, from renewed capital outlays by business.

The roots of the present-day sputter and spurt economy go back before 1981—perhaps as early as 1978, when many lenders and borrowers were misled by the resiliency in the economy when interest rates, rising to new highs, failed to precipitate a recession. The experience in the first half of 1980 should also be viewed as part of this sputter and spurt. The so-called business recession in 1980, brief but dramatic to be sure, was induced by the imposition of credit controls and ended with their removal, only to be followed by more sputter and spurt.

The Reagan Administration, upon assuming office early this year, was faced with this tricky economic pattern. It was confronted with many structural changes and embedded problems, long in the making, that needed solutions. For the moment, it is sufficient to say that in the past few decades, our consumption and life style have overwhelmed our industrial and innovative zeal. Our living standards have been threatened by runaway oil prices and inflation. The role of the dollar as the key reserve currency and our position as the effective leader of the Free World have been undermined by the loss of our international competitive strength and by the relative weakening of our military power.

#### FISCAL POLICY: INTENTIONS VERSUS RESULTS

The new Administration has endeavored to resolve these problems by a combination of tax reductions, reduced civilian governmental expenditures, increased military outlays, deregulation of business activity and monetary discipline which depends on the monetarist approach. Unfortunately, the Administration launched its fiscal program without factoring in the potential for conflict between a stimulative fiscal policy and a Federal Reserve policy of monetarism.

As matters now stand, it will be difficult to avoid a very large budget deficit in fiscal 1982, that is, the fiscal year which began this October 1. At the outset, the budgetary choices may have been difficult, but they were clear-cut given our obvious problems of curbing inflation and with achieving sustainable real growth. If most of the step-up in defense spending is essential for national security reasons (which I agree with), then the tax cut should have been viewed as a discretionary decision and would have been prudent only if the resultant budget were in reasonable balance.

The actual interaction of these programs is likely to result in a very large U.S. Treasury financing deficit of \$80-\$85 billion in fiscal 1982. The magnitude and scope of the U.S. Treasury cash needs alone are awesome for a sputter and spurt economy. There is not even the promised relief of a profile of declining budgetary requirements, since my fiscal 1982 estimates compare roughly with \$61 billion in fiscal 1980. For the next six months alone, the U.S. Treasury will borrow about \$60-\$65 billion net—a record takedown for this period.

These huge cash needs will require the Treasury to enlarge offerings in nearly all maturity sectors. For example, the weekly

bill offerings will rise to \$10 billion in the current year compared with \$9 billion at the end of fiscal 1981 and \$5.7 billion five years ago. The monthly two-year note, which averaged \$4.1 billion just two years ago, will increase to an estimated \$5.25 billion next year.

Because of the current policy of reducing taxes over the next two and a half years, flexibility in fiscal policy has been clipped. Eliminating part of the tax cut in the later years would do little to relieve the immediate deficit, and further cutting of budgetary expenditures poses difficult trade-offs. Of the estimated increase of \$60 billion in Federal expenditures in fiscal 1982, roughly \$30 billion is for defense, \$10 billion is for debt servicing, and \$20 billion is for everything else combined. Less spending for defense may help alleviate current problems for the domestic economy, but only at the possible cost of difficult-to-ascertain political and economic risks later on.

On the other hand, if reduced civilian expenditures are to be emphasized, then they will have to be much larger than officially requested in order that the present difficulties in the credit markets be ameliorated. Even here, however, a Catch 22 situation could arise. A monetarist credit policy might not be able to react quickly enough, following the introduction of a tough fiscal stance, to avoid an economic contraction. In addition, large cutbacks in Federal spending may, to some extent, increase the budgetary needs of state and local governments, thus transferring the cash needs from a strong borrower to weaker ones.

Conceptually, it is, of course, true that budget deficits need not be inflationary as long as the central bank does not monetize the debt through the creation of an excessive volume of new reserves or as long as the country is in a real recession when non-Federal credit demands are weak. However, it would be folly to assume that state and local governments, corporations and consumers will readily forego some of their credits demands simply because the U.S. Treasury has large cash needs. These sectors will fight for the limited funds available by bidding up the price of money as, in fact, they have been doing for some time. The onset of a recession would eventually reduce these private sector demands. But an economy which continues to sputter and spurt will maintain the high volume of private sector credit demands.

#### THE CREDIT OPTIONS

Our current problems are intensified by the continued decline of liquidity in our credit system, which neither the policies of fiscal stimulus nor monetarism is about to reverse. Indeed, a noose is now tightening around the credit markets, painful in some sectors, but not yet too uncomfortable in others.

**Housing:** Housing and housing financing institutions are among the sectors bound up most tightly. Housing activity, again at a new low, is once more a victim of high interest rates. Earlier, many had claimed that housing would be on a more equal footing with other credit demanders because of the invention of variable interest rate mortgages, the transformation of the mortgage from a local to a national securities obligation, and an array of governmental support programs. Quite understandably, these changes have not sustained housing because the other two key demanders—the Federal Government and business—will always win. The reasons are clear-cut. The cash needs of the U.S. Government are never restrained by interest rates.

Business corporations also have access to a wide range of financing alternatives, often financing long-term projects through short-term borrowings. In addition, they at least try to pass along interest payments to their price structure. Unless housing recovers

soon—something which I believe is unlikely—the structure of the housing market will undergo further change. There will be some shift toward renting, thus firming this market. New home construction will continue to be caught up in the cross fire of high interest rates and high building costs.

The convalescence for housing financing institutions, however, is far from complete. Their revitalization hinges largely on a very substantial fall in interest rates and a prolonged period of a sharply sloped positive yield curve. A sputter and spurt economy will not facilitate the creation of such an interest rate structure; a prolonged recession, of course, would. In the meantime, a number of new measures have been introduced to alleviate the pressure on these institutions.

One is an extended borrowing facility at the Federal Reserve discount window. These borrowings have risen to around \$400 million, but the restrictions accompanying them do not re-establish these institutions as vibrant organizations. Rather, they help them to go on convalescing.

Another measure—the All Savers certificate—will probably be of some marginal help to the savings deposit institutions but here, too, some Catch 22 aspects are evident. Commercial banks as well as savings banks and savings and loan associations are authorized to issue these certificates. As a result, the most deposit-starved institutions are not the only issuers. In addition, the cost of doing business will increase for the deposit institutions to the extent to which passbook savers transfer into All Savers. The advent of the All Savers is also unlikely to increase the overall new flow of savings in the United States.

Consequently, the channeling of savings flows away from money market mutual funds and into deposit institutions will have adverse market repercussions. Money market mutual funds finance the U.S. Treasury, business corporations and commercial banks through their purchases of Treasury bills, commercial paper, bankers' acceptances and negotiable CDs. These borrowers are powerful bidders for funds and their financing decisions are relatively insensitive to interest rate levels.

The third measure that has been designed to benefit housing financing institutions—namely, the regulation allowing these institutions to write off the loss on securities investments over the life of the investment—also has broad market implications. On the one hand, the sale from portfolio of discount U.S. Government, municipal and corporate and mortgages improves the liquidity of the thrift institutions. On the other, the markets for these obligations will come under greater pressure because of these sales, particularly at a time when both corporate and municipal secondary markets are losing their resiliency.

All three measures are interesting departures from recent trends toward deregulation and from letting the market-determined price of money allocate credit. Indeed, these are new forms of credit allocation schemes. They raise the question of how other sectors would be accommodated if they become incapacitated in the credit markets.

**Municipals:** The municipal bond market is also hanging on tenterhooks and its vitality will continue to be sapped by a sputter and spurt economy that is being manipulated by fiscal stimulus and monetarism. Because I have written in detail about this market recently,<sup>1</sup> let me merely summarize the dilemma. The market in tax-exempt securities has been placed at a disadvantage by the recent tax cuts, by the issuance of the All Savers certificates and by the slowing of Federal grants and aids which may swell state and local budgetary requirements.

State and local governments are finding it

<sup>1</sup> "The Crowding of the Municipal Bond Market," Salomon Brothers Inc. August 1981.



difficult to adapt their financing to the new world of spread banking—an institutional technique that attempts to establish rates of return on assets at a fixed differential against the floating cost of liabilities. The municipal market is further handicapped by only a small volume of purchases by commercial banks. In the old days, banks were the largest institutional investor.

Pressed by strong loan demand, commercial banks are taking down only about 16 percent of state and municipal net new issuance this year. In the 1960s and 1970s, there were several years when these banks bought anywhere from 60 percent to 100 percent of the net new supply. Moreover, the high level of short-term interest rates in the taxable fixed-income sector is drawing the savings into money market funds that otherwise would have moved at least partly into tax-exempts. Another handicap that municipalities face is the lack of support from the kind of futures market which has been very helpful in the distribution of U.S. Governments and, to a lesser extent, to corporates and mortgages.

**Business Corporations:** The Catch 22 in business finance is gradually surfacing. Corporate dependence on short-term financing continues to rise at an alarming pace. Financing alternatives in the bond market have been drastically reduced. Many corporate managements, in their financing strategies, have decided to tough it out in the short-term borrowing sector for the duration, which means until there is a large decline in long-term interest rates, of the order of 200-300 points in corporate bond yields.

The persistence of short-term corporate financing, at a time when liquidity and capitalization ratios were already historically low, has been unprecedented. The ratio of net new bond and stock issues to total corporate external financing will be an estimated 27 percent this year. It was 44 percent in 1980. The last time corporations made a meaningful effort to fund liabilities back in 1975 and 1976, this ratio was 94 percent and 53 percent, respectively. Because corporations failed to fund short-term debt to any significant extent, the ratio of long-term to short-term market debt hit a record low of 2.4 to 1 at midyear and the ratio of liquid assets to short market debt fell to an unprecedented low of 0.60 to 1.

The challenges facing corporate financial officers are not only awesome but treacherous. Financing long today at 17 percent to 19 percent interest costs, depending on the credit rating, must be based either on strong convictions about a continued high level of long-term interest rates and/or the need to preserve financing alternatives by a business which has ongoing financing needs and/or a direct arbitrage opportunity.

The decision to remain short should reflect the capacity to tap short-term funds under all market conditions or, alternatively, limited borrowing requirements, and the ability to maintain a good credit rating despite the growth of short-term debt.

Regardless of where business has been financing, the high level of interest rates, combined with the rapid growth of the variable interest rate cost structure, is taking its toll on corporate profits. The spotty recovery in profits during the past year is due not only to the equally spotty economic recovery but also to the rising volume of interest payments—payments which are increasingly uncontrollable in cases where short-term financing is dominant.

For example, the interest expense of non-financial corporations accounted for 30 percent of profits before taxes during the first half of 1981. This ratio averaged 25 percent in the 1970s and only 19 percent in the 1960s. In the past, the development of only spotty strength in profits has been one of the harbingers of a flight to conservative business financing practices.

Another precursor has been the tightening of short-term credit availability. The first harbinger is here. The second is still to show itself. I would strongly suspect that the boom in commercial paper issuance is unlikely to be a sustaining phenomenon.

The Catch 22 for business finance revolves around the following. Meaningful funding of liabilities can only be facilitated in business recessions and in the early part of a business recessions and in the early part of a business recovery. This has not happened in the past few years. An economy moving ahead vigorously—or even sputtering and spurting—will keep corporate external financing needs high. Against such a backdrop, corporations could at best only curtail the deterioration in their liability structure. More likely, corporations will risk increasing their dependence for funds on overloaded volatile sectors of the credit market—commercial paper and bank loans.

Under nearly all circumstances, except in a deep and prolonged recession, the pressing need to fund corporate liabilities places a high floor under corporate bond yields. A fall of just 200-300 basis points in long-term interest rates will bring out a long line of new corporate bond issuers. To avoid mishaps over the near term, corporations may attempt to gain some breathing space for a few years by resorting to the issuance of notes in the two to four-year maturity range.

In a macro sense, the deterioration of liquidity in our credit structure reveals broader and more disturbing implications. Loans and investments are generating less cash flow than was true some years ago. As a result, fictions have been created in market terminology. Investors and lenders hold many assets that are classified as either liquid or short term, and borrowers denote these claims as current liabilities.

But, in fact, their liquidity under our more liberal credit practices often hinges on the availability of new funds and the functioning of a secondary market. The secondary market is highly active in the money market but has shrunk in some sectors of the long market. When money supply growth slows down, as is expected with monetarism, then the self-generating cash capabilities of these instruments are vital if they are to be fully liquid assets.

**Banks:** Now, at first blush, it would seem that the commercial banks have fared well in the financial turmoil of recent years. They have moved into spread banking, generated higher profits, and in some areas have even enlarged their market share. We should recognize, however, the changing role of commercial banks and their underlying liquidity problems.

Banks hold a small volume of liquid assets for this stage of the business cycle. Their net increase in holdings of U.S. Governments and municipals will total an estimated \$35 billion for 1980 and 1981 combined. In 1975 and 1976, these investments increased by \$51 billion (on a much smaller base).

Concurrently, bank capital continues to be a shrinking proportion of bank assets. The new structure of our credit system places banks more akin to a lender of last resort, rather than as just another financing source. At one time, the open securities market were an important source of liquidity to the banks. Corporations issued short-term securities and bonds to pay off bank loans. Today, commercial paper issuance is booming, to be sure; bank lending is strong, but corporate bond issuance is at a low ebb; banks are financing corporate permanent working capital and capital outlays with short-dated liabilities. They are also the contingent source of liquidity for the commercial paper market with back-up lines of credit.

Indeed, a new off-balance sheet banking

accommodation—the credit line—is flourishing. These credit lines encourage corporations to finance short because they are assured of access to funds—regardless of market conditions. As of the end of July, these unused credit lines totaled \$340 billion as compared with only \$175 billion in 1977.

Bank assets in the same period have grown from \$880 billion to \$1,225 billion. By assuring access to credit, these lines are a form of credit allocation, encouraging shorter-dated financing for corporations, and complicating the task of monetary policy which, when it moves to restraint, wants the private sector to adopt prudent practices and to perceive uncertainty ahead.

#### MONETARISM

Now, let me turn to monetarism and explain why, combined with fiscal stimulus, it is contributing to sputter and spurt economic activity and to potential credit problems that may have adverse economic consequences. From a financial perspective, these distinguishing features of monetarism are worth noting.

Monetarism means a steady and moderate injection of money. This approach contributes importantly to wide swings in interest rates and, in turn, encourages risk aversion by both demanders and suppliers of funds. These wide swings in interest rates occur in both short and long maturities, with the greater volatility at the short end because monetarism must take short rates to whatever level is required to slow the growth of money.

As a result, the yield curve, which is heavily influenced over short-term intervals by the Federal Reserve's need to hit its monetary target, swings widely. Consequently, the markets do not benefit from prolonged periods of a positively sloped yield curve as was evident for long periods in previous business expansions. Under monetarism, financial markets benefit from such a curve only during recessions.

This nondiscriminatory procedure does not encourage the reliquification of the credit system in the early part of a business recovery. The wide fluctuations in interest rates induce issuers to stay short and encourage investors to buy bonds only when they can anticipate a sharp rise in bond prices. Instead of becoming long-term buyers, bond investors become traders, reinforcing price volatility. Additionally, when fiscal stimulus is combined with monetarism, crowding out is inevitable as long as the economy has momentum to sputter and spurt. This is clearly attested by the recent events in the credit market.

The other phenomenon to which monetarism and fiscal stimulus have contributed are very high real rates of return in the fixed-income markets. One reason is that monetarism encourages financial deregulation and innovation, both of which intensify interest rate combat. Another reason is that monetarism never holds forth the threat of permanently high interest rates, which would quickly force participants to adjust their economic action.

Instead, monetarism promises lower interest rates quickly once the growth of money is under control and, therefore, in turn, creates the expectation that the real cost of funds will not be punishing. Moreover, by borrowing short or resorting to floating rate financing, demanders of credit do not bear the real rate of return risk inherent in a long bond issue, particularly if they can pass interest costs into product pricing over the short term.

The decision to borrow by a corporation will be negatively influenced only if there is a conviction by its financial managers that both short and long-term interest rates will stay indefinitely above the inflation rate.

Today, we have high nominal and real interest rates. No one can really claim that

this interest rate structure is more efficient than the lower levels prevailing during the credit crunch of 1966, or those in the financial crises of 1970 and 1974. What benefits have come from all of this? Are we really in an improved position? I believe not. Housing has not achieved the viability it sought. Corporate balance sheets are weaker. State and local governments are under terrible pressure not only in the services they provide but in the markets where they finance some of these services. The economy is reduced to sputtering and spurting, sputtering and spurting.

We are now again in the sputtering phase of this economic pattern. Whether or not the economy will next spurt or stall out completely depends very much on the path of monetary policy. Much depends on how the Federal Reserve interprets its monetarist responsibilities. M1-B shift adjusted, for example, is well below the officially targeted growth for the year, creating the leeway for a further liberal infusion of bank reserves.

Concurrently, the broader monetary aggregates, such as M2 and M3, are above their targeted ranges, suggesting caution in reserve infusion. The monetary targeting is also muddled at present by the inception of the All Savers certificates. Assuming that the Fed chooses to go on emphasizing M1-B, the large infusion of reserves coupled with fiscal stimulation should induce another economic spurt.

For the financial markets, such a posture may induce somewhat lower short-term interest rates for the very near term, but no lasting relief simply because monetary growth above the targeted ranges for all aggregates is bound to reassert itself. At the same time, commitments of funds in bonds would have to be made in the strong belief that a substantial business contraction is starting because bond market strength cannot be sustained by fiscal stimulation and monetarism. At the first sign of another economic spurt, led perhaps by vigorous monetary growth, bond investors will shed their enthusiasm and scramble back to the money market; corporate issuers will feel a greater need for long-term funds; and long-term bond yields will surge to new highs on very little volume.

Unfortunately, some pain will continue to be inflicted on the economy and credit markets. We have backed ourselves into a difficult corner. Looking back, the preferred policy approach, as I stated last April in Washington, should have been the following: a sharp thrust to a balanced budget in fiscal 1982; tax reductions limited to spurring investment incentives; and a monetary policy based on broader credit measures and regulations that will foster a greater perception of risk by financial intermediaries. Such an approach would have contributed to reducing inflationary expectations, relieving the credit system and thus providing the base for meaningful economic growth. Looking forward, policies of fiscal stimulus and monetarism encourage clashes in the markets, resulting in economic sputter and spurt and even running the risk of more dangerous economic and financial consequences.

[From Business Week, Oct. 26, 1981]

#### WHAT RONALD REAGAN CAN LEARN FROM JIMMY CARTER

(By Michael Blumenthal)

No one can blame Ronald Reagan for being more than a little puzzled these days. Only two months ago he scored stunning victories on taxes and the budget. Reaganomics was off to a flying start, and the President was being hailed as another Roosevelt, resolutely leading the country to the high ground of prosperity without inflation.

Yet today, a few short weeks later, little is going according to plan. Instead of basking in the warm glow of the electorate's grati-

tude for promises delivered and a job well done, President Reagan finds himself with more economic problems than ever. With the ink on his tax and budget bills hardly dry, he is back asking for more spending cuts from an increasingly fractious Congress. His trial balloons on a Social Security stretch-out, on the school lunch program, or on the defense budget are getting nowhere, and even going on TV—always a strong move for him in the past—does not seem to help. The stock and bond markets hit new lows before they finally rallied, while interest rates stay stubbornly high. The budget deficit is rising, and business confidence remains decidedly mixed. The gross national product is stalled, there is talk of serious recession, and grumbling can be heard even among the President's most dedicated supporters.

Confronting this sudden and cruel change in the economic climate, President Reagan, in fact, is facing the first real and possibly decisive crisis in economic decision-making of his young Administration. He will hardly be lacking for advice. While much of it is bound to be contradictory, one suspects that a strong, underlying theme of the counsel will be to dig in and "hang tough," to stick to his supply-side economic programs, and to wait until Wall Street and the rest of the doubters here and abroad see the light and fall into line. The evidence thus far suggests that the President is determined to follow that line.

It is a mistake, and it is not going to work. The events of recent weeks show that sooner or later—and the sooner the better—President Reagan will have to think of something new or different to arrest the erosion of confidence in his programs. The question is: What?

#### THE CARTER EXAMPLE

It may be a novel and unattractive thought for him, but my own strong advice to the President is that he take a deep breath, swallow his pride, and heed how the Carter Administration missed opportunities under similar circumstances. Failing that, there is every chance that, irony of ironies, he will founder on the same economic shoals that contributed to his predecessor's undoing and prove once again that history does tend to repeat itself.

A good place for President Reagan to look for the answers might be to contemplate seriously the three basic, often unpalatable, rules of macroeconomic management that I tried—with limited success—to urge on President Carter.

First, in economics things are rarely what they seem.

Second, beware of simple solutions to complex problems such as inflation and economic growth, however politically attractive they sound.

Third, and above all, there really is no free lunch—not for the voters, and unfortunately not for politicians or even for dedicated and deserving Presidents.

These are hard lessons for any President to learn, and my own former boss, Jimmy Carter, never quite managed to do it. He often seemed to accept the rules "in principle." But somehow he never quite acted on them consistently and pragmatically, however sincerely he might have been determined to do so.

The results, of course, is history. President Carter, at least, can now contemplate with leisure and a measure of philosophical detachment the pitfalls of economic decision-making that played him so many dirty tricks.

Ronald Reagan has a much tougher job. It is difficult to make the right moves, with the day-to-day pressures of the office on him, the memory still fresh of big successes only a few weeks old, but with even the most recent economic predictions suddenly and frustratingly suspect. Yet it is urgent that President Reagan review his assumptions and his policies and act to correct them without de-

lay. In doing so, he should look at the Carter experience, which in many ways resembles the situation he now faces.

The ideology and assumptions underlying old-fashioned liberalism and Keynesianism led President Carter into trouble. The longer he stuck to his earlier program, the worse things got. The theories of "supply-side economics" and monetarism—Reaganomics—threaten to give President Reagan the same kind of trouble. The longer he holds on to his cherished ideas, the tougher it will be for him as well. Retreating reluctantly, step by step, cost Jimmy Carter his credibility. Ronald Reagan, following the same approach, runs the risk of suffering a similar fate.

#### A FORMULA FOR REFORM

As a candidate, Jimmy Carter stood for budget balance and responsible economic management, having pledged to lower unemployment and lick inflation all at the same time. His campaign advisers had presented him with a set of seemingly simple and effective ideas of how to make it all happen.

First, stimulate the economy with tax cuts and rebates, aimed mainly at the poor. Second, step up programs to train workers and reduce urban blight. And, third, reform the income tax system fundamentally to eliminate its myriad inequities and perversities favoring taxpayers and businesses in the upper brackets over those lower on the economic ladder.

There were other strings to President Carter's bow—an energy program to lessen dependence on OPEC and strict rules to keep the environment healthy and clean, to name only two. But the tax and spending programs were the heart of his economics. His campaign advisers had projected the computer runs to show that it would all come together. The economy would grow, while urban and youth unemployment declined—without inflation. Tax reform would yield some of the revenue to fund the changes and help bring the budget into balance—in four years or less.

Candidate Carter based his campaign on this program, and the polls showed that the voters shared his faith. Tax reform, in particular, proved quite popular. So it all seemed to make a good deal of sense—the economics and the politics of it—and in office Mr. Carter lost no time proposing ways to translate his program into reality.

Yet almost from the start events evolved differently from what was expected. The economy was moving up, not down—even before the tax cuts and spending programs had become law. Where the slack was expected to moderate inflation, price rises accelerated. Productivity fell, and so did business confidence and the dollar.

As for the idea of tax reform, that suddenly seemed to have far fewer supporters than his fiscal-reform theorists had assumed. It was other people's loopholes, not their own, the voters wanted plugged, thereby canceling out congressional backing for tax reforms in the most frustrating way. Things were not helped when Senator Russell B. Long (D-La.), chairman of the Senate Finance Committee, with the smile of a cherub, pronounced the idea a goner by explaining that he had long ago learned the basic tax lesson from his late Uncle Earl: "Don't tax you, don't tax me, tax the fellow behind that tree!"

As the economic clouds darkened for him in 1977, President Carter's fundamental mistake was to keep trying to apply the ideas he had started out with and that quite evidently had not worked the first time around. Moreover, economic conditions had been fundamentally altered by a new oil crisis, an uncertain economy, a growing inflation psychology, and a dangerous erosion of the dollar's value in the international arena.

So there was ample reason for a basic change in approach. Yet for too long Jimmy Carter just kept plugging along, convinced

that he would ultimately be right, that Wall Street would see the light, and that his program would work in the end. Whenever he made changes in his economic programs, it was always with reluctance, always too little, and always too late.

Why? Well, for one thing, he ignored the three basic rules of economic management:

#### THINGS WERE NOT WHAT THEY HAD SEEMED

The economy was supposed to weaken, but it did not. The jobs programs were supposed to make a big dent in youth unemployment, but that did not happen either. The predictions about spending, saving, and investment turned out wrong because the new inflation psychology had not been taken into account when the numbers were being crunched. As for the tax bill, all the talk of reform was turning people off rather than on.

#### THE SOLUTIONS WERE TOO SIMPLE

An economy as complex as ours is affected by many often contradictory forces and moods. Change comes slowly, uncertainly, painfully. Inflation, unemployment, growth, and business confidence—all of these are part of a complex equation, and each is the product of many diverse influences and factors. To suggest that a single theory or set of ideas—tax reforms, job programs, budget-pruning—will alter the course decisively and surely is to misunderstand profoundly how tough and contradictory macroeconomic management is bound to be.

#### THERE IS NO FREE LUNCH

When inflation is rising, productivity is low, economic growth stalled, and the international economy in disarray, there is no solution that is not slow and painful. No politician can for long escape this harsh truth.

But the final and probably most significant reason why change came so hard was that Carter and his closest advisers believed for too long, even when the statistics were telling a different tale, that their original economic policies had been right. And they clung tenaciously to the mistaken notion that to change course was politically the kiss of death—that it was better to ignore the new numbers and hang tough.

The critical error here was not just the failure to appreciate the chronic unreliability of the economic prognostications and to count on their flawed predictions well past the point of no return. While this was serious, the worst mistake was to act on the false premise that the President did, in fact, have a choice between "standing firm" or changing course. Against the background of changing conditions, such a choice never existed. To stand firm really meant to opt for a policy of constant small retreats and compromises, for a gradual though reluctant step-by-step withdrawal from stated positions. And in the public perception, with one big change, the President is a leader, with lots of little changes, he is vacillating.

It was for this process of small retreats that President Carter in fact opted when he thought he was choosing to stand firm, and it was this process that caused him to be perceived, rightly or wrongly, as an uncertain economic leader and ultimately cost him his credibility.

So Jimmy Carter, by not understanding the realities of Washington macroeconomic decisionmaking, made a fateful error both on critical political and on economic grounds—an error he would repeat several times until it was too late.

I still recall the agonizing efforts to persuade him to back off from the push for tax reforms, long after their irrelevance to the country's economic condition had become abundantly clear. Taxpayers were worried about inflation, and business concern over low productivity and deficit spending was undermining confidence. Yet the President

judged the political risks of making a decisive shift too great. "Jimmy simply can't abandon his proposals and go forward with another plan." Rosalynn Carter passionately insisted to me one night over drinks on the Truman balcony. "It's wrong, and politically disastrous besides."

The battle over the fiscal 1980 budget was no different. With inflation the big concern for all Americans, even staunch Democrats and long-time supporters of social programs now worried first and foremost about the threat of the trend of price escalation that was seemingly running out of control.

#### AGAIN, AVOIDING THE RISKS

It was probably President Carter's last chance to get back on top. A decisively different budget, one designed to deal unequivocally with the inflation threat, might have turned expectations in his favor and restored faith in his capacity to make the economy work. But to seize the issue meant turning away from a prior course, from the programs on energy and from spending initiatives that he had championed. Once again the President opted for avoiding the risks of substantial change—and again that course gained him nothing in the end.

Returning from the Tokyo Summit in the summer of 1979, I recall sitting alone with him in his private quarters aboard Air Force One. It was my last effort to convince him to "hit the ground running" on inflation and on energy by announcing major budget cuts and a bold new approach to stimulate energy production. As was his habit, he listened politely and impassively. But he never followed through, because others thought that to change was to admit defeat and even court political disaster.

So the sterile battles over the budget within his Administration continued to be fought, essentially, over public-relations issues—such as whether to show a deficit for 1980 just below or just above \$30 billion.

The story was repeated over and over again—on minimum wages, on the energy bill, on the decontrol of gasoline. Whatever the issue, even when the merits of the situation cried out for a new approach, there was always the fatal hesitation to act, born of the conviction that to change was politically wrong.

#### THE HARD LESSONS

Thus Jimmy Carter retreated inch by inch, cutting his losses one thin slice at a time, and lost the opportunity to show decisive leadership by adjusting his programs to fit new conditions.

Reform taxes or lower them for business? Job programs or really severe budget cuts? Higher interest rates or a dangerously weaker dollar? Much less regulation or less productivity? Most Presidents come into office promising to make these hard choices, and most seek to avoid them whenever they can. This is because the free lunch, the simple solution that promises results without pain, appears so much more appealing and lower in risk. And that is why the simple ideology, the promise of an easy way out, has so much allure. And then, when things do not work out, Presidents cling for too long to the notion that to change courses is politically bad, and they retain the forlorn hope that the real pain can yet be avoided.

It really cannot. The sooner a President learns this lesson and acts on it, the better off he will be. To take the plunge and accept the downside of adjusting course decisively when the first game plan comes apart surely carries with it its own set of risks, but it is the only way to survive.

Is Jimmy Carter's successor listening? Ronald Reagan also had a set of simple and politically attractive ideas to solve our economic ills—supply-side economics. Cut taxes predictably and massively, his advisers said, and the revenue loss to the Treasury

will be more than made up by a buoyant economy. As the old story goes, cut the price and make it up on the quantity.

Better-motivated taxpayers will work harder and save more. Cut nondefense spending, eliminate government waste and business will regain the confidence to invest. Presto: Expectations will perk up, productivity will rise, the economy will expand, budget balance will be restored, and inflation will be licked.

#### A BEGUILING FORMULA

As a prescription for economic management, it is a formula as beguiling as it is simple. To eradicate the nation's twin economic woes of inflation and slow growth and also make everyone happy with lower taxes has the irresistible appeal that would warm any politician's heart. No wonder President Reagan quickly became a true believer. He promised it to us in his campaign—and fundamentally he delivered what he promised on taxes and the budget.

In one important way, President Reagan's situation is different from that of Jimmy Carter. He succeeded where Carter failed: He got his program passed by Congress. But beyond that he faces a roughly analogous situation.

The original Reagan budget and tax cuts—the latter substantially subverted by a late bidding contest for a political victory with the Democrats in Congress—are being questioned much as the Carter proposals were, and the evidence is piling up that the economy is not acting the way it was supposed to. Supply-side economics, the country and the markets are saying, is not, after all, the simple solution to our economic problems it was expected to be. The free lunch counter is closed.

It's not really surprising. Reagonomics is new and untried—an article of faith without track record or historical precedent. There never were any data to support the supply-side ideas.

#### TOO GOOD TO BE TRUE

The theory that you can lick inflation by running a loose fiscal policy, cutting taxes heavily for individual taxpayers rather than skewing the reductions to stimulate investment, had a lot of political appeal, but it was always too good to be true. The tax bill pushed through Congress by President Reagan will cost the Treasury \$760 billion in lost revenue over the next five years. The hope that most of this can be offset by budget reductions without hurting Social Security recipients, farmers, veterans, and others with clout in Congress, while funding a 7% real increase in defense spending, year after year, was always just that—a hope. The idea that somehow economic growth will fill the gap between lost revenue and expenditures was always more than a little farfetched. And the notion that somehow monetary policy can take up the slack without interest rates rising—and staying—unacceptably high was always no more than a dream.

The numbers just do not add up. The spending cuts enacted by Congress are so much smaller than the Treasury's loss in revenue from the tax bill that the gap is bound to remain large. That is why the budget deficit, which was to have been near \$40 billion in fiscal 1982, now turns out to be much larger—\$60 billion to \$80 billion, perhaps. And that is why there is now the widespread expectation that the deficits will not shrink and that the pressure on interest rates will remain high in the years thereafter.

In a very real sense, the President thus finds himself the victim of his own most dramatic successes on taxes and the budget. It is these programs as now enacted, together with his commitment to large and

growing defense expenditures, that have created the prospect of multiyear deficits and super-tight money—a formula that raises the threat of a super-recession as well.

To deal with this situation, President Reagan would be well advised to do two things Jimmy Carter never quite brought off: to adjust his program quickly to new conditions, and to move decisively and unmistakably, rather than "hanging tough" and retreating step by step.

#### FACING THE BITTER MEDICINE

Specifically, the President has to find credible ways to close the budget gap, and that gap is large—as much as \$150 billion or more over the next three years. Worse for him, since congressional support for a second round of major cuts in social and other nondefense programs is now much in question, he must focus his attention on the two areas where he has taken his strongest stand—defense and taxes.

This is bitter medicine, and for the moment it looks as if the President is not yet ready to take it. The proposed reduction of \$2 billion to \$3 billion in the Pentagon budget for fiscal 1982, with total cuts of \$10 billion to \$12 billion for the three years through 1984, will not contribute much. At least twice as much in contemplated defense cutbacks will be required, and even then Mr. Reagan's problems will not nearly be solved.

But this, perhaps, is President Reagan's easier choice. It is doubtful in any case that the big stepup in defense spending can be efficiently absorbed quickly. Throwing money at defense will probably not work any better to build our military strength than throwing money at our social problems did to eradicate poverty. For a strong defense posture, better manpower may be more important than a great deal more hardware.

The fundamental problem the President faces is simply that his multiyear tax-cutting has created such massive gaps between the Treasury's income and outflow streams that any kind of defense and non-defense budget-cutting sufficient to close this gap is politically and practically well-nigh impossible. To solve this problem, the President thus has no choice but to take another look at the income, or tax, side of the equation. Somehow, by one means or another, he must find ways to raise more revenue in coming years.

#### A VAT COULD BE TRIED

Jimmy Carter's experience shows that the sooner President Reagan swallows his bitter pill, the better off he will be. He has a number of choices. One is to stretch out the tax cuts already written into law. Another is to move toward some new sources of revenue for the Treasury's coffers. A value-added tax, or some other type of consumption tax, merits serious study. Also, the President might look harder at the many loopholes in the Christmas-tree tax legislation he has signed and consider closing or narrowing the most egregious ones.

In summary, then, President Reagan must, first, act on defense spending and on taxes, and, second, do so decisively, clearly, and in one big move rather than one small step at a time. The question is whether he will be any more inclined to act decisively than his predecessor was. To effect a convincing change in direction soon will take courage. But either the promise of an easing of the Treasury's revenue losses from the massive tax cuts already enacted becomes apparent fairly quickly, or the monetary crunch will continue and the impact of excessively high interest rates will do increasing damage. In that situation, housing, autos, small business, and many other sectors in the economy will not be able to get back on their feet any time soon.

Underneath it all is the fundamental problem with Reaganomics. For beyond all the rhetoric surrounding supply-side econom-

ics, there has always been the unspoken probability that such a program, if it succeeded at all, can in the end do so only if the country is put through a severe recession—one that would have an uneven impact on those sectors and geographical areas most heavily affected by high interest rates. That is the issue the Chief Executive must face.

Ronald Reagan is the kind of President who could pull it off. He has managed to focus the attention of the American people on the nation's economic problems in a way Jimmy Carter was never able to do. And he has, until recently, managed to project the image of a winner in economic decision-making—a man who knows what to do and has the courage to do it. He has a chance to capitalize on this image. In another year or so it will be too late, for the impact of new policies and programs comes slowly.

The President has been lucky, as well as successful, in his economic leadership until recently, but the real test is at hand. If he learns from the Carter record, he can succeed. If he fails to do so, he may share this predecessor's fate.

#### MESSAGES FROM THE PRESIDENT

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

#### PROPOSED NEW BUDGET RESCIS-SIONS AND DEFERRALS—MESSAGE FROM THE PRESIDENT—PM86

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, together with an accompanying report, which was referred, pursuant to the order of January 30, 1975, jointly to the Committee on Appropriations, the Committee on the Budget, the Committee on Agriculture, Nutrition, and Forestry, the Committee on Banking, Housing, and Urban Affairs, the Committee on Commerce, Science, and Transportation, the Committee on Energy and Natural Resources, the Committee on Finance, the Committee on Environment and Public Works, the Committee on Veterans' Affairs, the Committee on Labor and Human Resources, the Committee on Governmental Affairs, the Committee on Small Business, and the Committee on the Judiciary:

#### To the Congress of the United States:

In accordance with the Impoundment Control Act of 1974, I herewith report 72 deferrals of fiscal year 1982 funds totaling \$482.9 million. I am also reporting two new proposals to rescind \$88.2 million in budget authority previously provided by the Congress.

Seventy-one of the deferrals totaling \$391.6 million represent the second in a series of messages that I am transmitting deferring fiscal year 1982 funds made available by the Continuing Resolution, P.L. 97-51.

These actions are being taken in accord with the stated intent of the Congress to provide minimal and temporary funding for the duration of the Continuing Resolution which expires November 20, 1981. As indicated in my last special message of October 20, I plan to restrain spending to insure that the Congress has the opportunity to enact regular appropriations

for the entire fiscal year at levels that are consistent with my revised budget request.

Deferrals under the Continuing Resolution are included in this special message for the Executive Office of the President and 20 departments and agencies.

I am also reporting in this message a deferral of \$91.3 million for Veterans' Administration construction pending completion of a project review and two rescission proposals for programs in the Department of Defense that are consistent with amendments to the Defense budget sent to the Congress on October 15.

The details of each rescission proposal and deferral are contained in the attached reports.

RONALD REAGAN.

THE WHITE HOUSE, October 23, 1981.

#### EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, were referred as indicated:

EC-2115. A communication from the Assistant Secretary of Defense (Comptroller), transmitting, pursuant to law, notice of certain transfers of funds within the Department of Defense; to the Committee on Appropriations.

EC-2116. A communication from the Acting Vice President of Government Affairs of Amtrak, transmitting, pursuant to law, a report on the revenues and total expenses attributed to each railroad for the month of July, 1981; to the Committee on Commerce, Science, and Transportation.

EC-2117. A communication from the Chairman of the Advisory Council on Historic Preservation, transmitting, pursuant to law, a report on the historic preservation effects of terminating the United States Trusteeship of the Islands of Micronesia, adopted by the Council at its August 25, 1981 meeting; to the Committee on Energy and Natural Resources.

EC-2118. A communication from the Administrator of the Energy Information Administration, Department of Energy, transmitting, pursuant to law, two reports on Petroleum Market Shares on Sales of Refined Petroleum Products and Retail Gasoline; to the Committee on Energy and Natural Resources.

EC-2119. A communication from the Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Reforming Interest Provisions In Federal Water Laws Could Save Millions"; to the Committee on Environment and Public Works.

EC-2120. A communication from the Assistant Secretary of State for Congressional Relations, transmitting, pursuant to law, the annual report on the Foreign Service Retirement and Disability System for fiscal year 1980; to the Committee on Governmental Affairs.

EC-2121. A communication from the Deputy Assistant Secretary of Defense (Administration), transmitting, pursuant to law, a report on a new Privacy Act system of records; to the Committee on Governmental Affairs.

EC-2122. A communication from the Chief Judge of the United States Tax Court, transmitting, pursuant to law, the actuarial reports required for the U.S. Tax Court Judges' Retirement and Survivor Annuity Plans for calendar year 1980; to the Committee on Governmental Affairs.

EC-2123. A communication from the Acting Comptroller General of the United States, transmitting, pursuant to law, a list of reports transmitted to the Congress by the General Accounting Office during September 1981; to the Committee on Governmental Affairs.

EC-2124. A communication from the Chief of Staff for Installations and Logistics, Department of the Navy, transmitting, pursuant to law, the annual report of the Retirement Plan for Civilian Employees of the United States Marine Corps Exchanges, Recreation Funds, Clubs, Messes, and the Marine Corps Exchange Service for calendar year 1980; to the Committee on Governmental Affairs.

EC-2125. A communication from the Deputy Assistant Secretary of the Interior (Indian Affairs), transmitting a draft of proposed legislation to provide for the use and disposition of the Miami Indians judgment funds in Dockets 124-B and 254 before the United States Court of Claims, and for other purposes; to the Select Committee on Indian Affairs.

EC-2126. A communication from the Chairman of the Board of Directors of the Future Farmers of America, transmitting, pursuant to law, a report of the audit of the accounts of the Future Farmers of America for the period ending August 31, 1981; to the Committee on the Judiciary.

#### PETITIONS AND MEMORIALS

The following petitions and memorials were laid before the Senate and were referred or ordered to lie on the table as indicated:

POM-532. A petition from a citizen of Oakland, Oregon, favoring congressional cooperation with the Naval Recovery Program; to the Committee on Armed Services.

POM-533. A resolution adopted by the House of Representatives of the State of Michigan to the Committee on the Judiciary.

#### "HOUSE RESOLUTION No. 266

"Whereas, The Voting Rights Act of 1965 is widely recognized as one of the most effective tools to guarantee minority voter participation. In spite of this fact, there is widespread belief that upon its expiration in 1982 it may not be extended; and

"Whereas, This milestone in civil rights legislation has doubled the number of blacks in the South who are registered to vote, which, in turn, has made public officials more accountable to minority constituents. Moreover, Section 5 of the Voting Rights Act is particularly effective in fighting discrimination by requiring that state and local governments show that changes in voting or election procedures do not discriminate against minorities; and

"Whereas, Another important factor is the reapportionment and redistricting changes that will take place because of the 1980 census. The existence of the Voting Rights Act of 1965 would help prevent discriminatory reapportionment and gerrymandering of districts and not dilute the impact of minority voting; and

"Whereas, It is vital, therefore, that the bill currently before the Congress to extend the Voting Rights Act of 1965 be adopted. With such legislation in force, the hard won rights of minority citizens to equality before the law will continue unabated, as must be the case if we are to remain a truly democratic nation where each citizen is ensured his or her right to representation in every level of government; now, therefore, be it

"Resolved by the House of Representatives, That this legislative body urge the Congress of the United States to extend the Voting Rights Act of 1965; and be it further

"Resolved, That copies of this resolution be transmitted to the President of the United States, the Speaker of the United States House of Representatives, the President of the United States Senate, and the members of the Michigan Congressional Delegation."

POM-534. A resolution adopted by the City Council of Santee, Calif., favoring an extension of the Voting Rights Act of 1965; to the Committee on the Judiciary.

POM-535. A petition from a citizen of Gladstone, Oreg., relative to monopoly bargaining in the Federal service; to the Committee on Labor and Human Resources.

#### REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. COCHRAN, from the Committee on Appropriations:

Report to accompany the bill (H.R. 4119) making appropriations for Agriculture, Rural Development, and Related Agencies programs for the fiscal year ending September 30, 1982, and for other purposes (Rept. No. 97-248).

By Mr. PERCY, from the Committee on Foreign Relations:

Report to accompany the concurrent resolution (S. Con. Res. 37) disapproving the proposed sales to Saudi Arabia of E-#A airborne warning system (AWACS) aircraft, conformal fuel tanks for F-15 aircraft, AIM-9L Sidewinder missiles, and Boeing 707 aerial refueling aircraft (Rept. No. 97-249).

By Mr. DOMENICI, from the Committee on the Budget without amendment:

S. Res. 226. A resolution waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of S. 1716.

By Mr. McCLURE, from the Committee on Energy and Natural Resources, without amendment:

H.R. 3975. An act to facilitate and encourage the production of oil from tar sand and other hydrocarbon deposits (Rept. 97-250).

#### EXECUTIVE REPORTS OF COMMITTEES

The following executive report of a committee was submitted:

By Mr. PACKWOOD, from the Committee on Commerce, Science, and Transportation:

Clinton Dan McKinnon, of California, to be a member of the Civil Aeronautics Board for the remainder of the term expiring December 31, 1985.

(The above nomination was reported from the Committee on Commerce, Science, and Transportation with the recommendation that it be confirmed, subject to the nominee's commitment to respond to request to appear and testify before any duly constituted committee of the Senate.)

#### JOINT REFERRAL OF S. 1626

Mr. McCLURE. Mr. President, I ask unanimous consent that a bill to amend the Department of Energy Organization Act to clarify the jurisdiction of the Federal Energy Regulatory Commission, to reform and improve the regulation of oil pipelines, and for other purposes, be referred jointly to the Committee on Commerce, Science, and Transportation and the Committee on Energy and Natural Resources.

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

#### JOINT REFERRAL OF S. 1676

Mr. McCLURE. Mr. President, I ask unanimous consent that S. 1676, a bill to enhance the detection of motor vehicle theft and to improve the prosecution of motor vehicle theft by requiring the Secretary of Transportation to issue standards relating to the identification of vehicle parts and components, by increasing criminal penalties applicable to trafficking in stolen vehicles and parts, by curtailing the exportation of stolen vehicles and self-propelled mobile equipment, and by establishing penalties applicable to the dismantling of vehicles for the purpose of trafficking in stolen parts, and for other purposes, be jointly referred to the Committee on the Judiciary and the Committee on Commerce, Science, and Transportation.

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

#### INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. STENNIS:

S. 1768. A bill to amend the Social Security Act to provide that the social security trust funds shall be invested in securities which provide a maximum return, consistent with safety; to the Committee on Finance.

By Mr. INOUE:

S. 1769. A bill for the relief of Mr. Donald Shrope and Mrs. Guadalupe L. Shrope; to the Committee on the Judiciary.

S. 1770. A bill to direct the Secretary of the Department of Transportation to conduct an independent study to determine the adequacy of certain industry practices and Federal Aviation Administration rules and regulations, and for other purposes; to the Committee on Commerce, Science, and Transportation.

#### STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. STENNIS:

S. 1768. A bill to amend the Social Security Act to provide that the social security trust funds shall be invested in securities which provide a maximum return, consistent with safety; to the Committee on Finance.

(The remarks of Mr. STENNIS on this legislation appear earlier in today's RECORD.)

By Mr. INOUE:

S. 1770. A bill to direct the Secretary of the Department of Transportation to conduct an independent study to determine the adequacy of certain industry practices and Federal Aviation Administration rules and regulations, and for other purposes; to the Committee on Commerce, Science, and Transportation.

ADEQUACY OF CERTAIN INDUSTRY PRACTICES AND FEDERAL AVIATION ADMINISTRATION RULES AND REGULATIONS

● Mr. INOUE. Mr. President, today I am introducing a bill that directs the Secretary of the Department of Transportation to conduct an independent study to determine the adequacy of industry practices and certain Federal

Aviation Administration rules and regulations.

The FAA is charged with, among its other obligations, to promote air travel, aviation safety and encourage development of aviation technology, all very heavy burdens.

As a result of several serious accidents in the last few years an increasing amount of attention is being focused on aviation safety, raising some doubt about whether the safest possible environment is being provided to our Nation's aviation public. In addition recent articles have questioned industry practices in an attempt to lower fuel consumption. Obviously some tradeoffs are necessary in today's high cost energy/fuel environment. However, any tradeoffs must be the result of rational decisionmaking, taking into consideration not only the cost of aviation fuel but any possible discomfort or adverse health and safety effects to passengers and crew resulting from such tradeoffs.

The bill I am introducing today attempts to focus on several issues that relate to the public's right to a safe and healthy environment while captivated within an aircraft. It is my understanding that several of these issues have been the subject of rulemaking, studies and research by the FAA, segments of the aviation industry and other interested groups. In addition I am advised that the House has held numerous hearings addressing a few of these issues.

Yet nothing exists, in the form of a comprehensive document that identifies the issues and concerns, and specifies the FAA's intentions to address and perhaps remedy any of these issues. This bill attempts to make use of past research, and bring all segments of the industry into a forum to discuss these issues. In this respect the bill requires that the study take into account all available previous studies, data, recommendations, current technology, and state of the art which are relevant to the issue identified by this bill.

Let me assure my colleagues that the purpose of this bill is to begin a discussion on aviation health and safety. I will of course remain open to reasonable suggestions.

Mr. President, I ask unanimous consent that the bill be printed in the RECORD followed by an article that appeared in the April 12, 1981, issue of the Buffalo News.

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

S. 1770

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Secretary of the Department of Transportation shall, in the interest of health and safety, and in the interest of promoting and maintaining a superior U.S. aviation industry, direct the Administrator of the Federal Aviation Administration to conduct an independent study to determine whether industry practices and standards, Federal Aviation Administration rules, regulations and minimum standards are nondiscriminatory and at least in conformance and parity with non aviation standards, practices and regulations (including de facto circumstances) concerning the following, for all passengers and crew aboard*

civil aircraft. (Special and objective considerations to be given to both positive and negative aspects of the uniqueness of the aviation environment.)

(1) quantity of fresh air per occupant and overall quality of air on board.

(2) quantity and quality of humidification.

(3) air contamination limits.

(4) emergency breathing equipment, including toxic fume protective breathing equipment.

(5) measures, procedures and capabilities for extinguishing fires and the removal of smoke and toxic fumes within safe pressurization limits.

(6) (a) safe pressurization, considering the broad range of cardiopulmonary health of the traveling public; dissemination of information to the medical profession and the general public of current pressurization limits and practices to assure valid medical advice concerning the health effects of air travel.

(b) collection and dissemination by the aviation industry, the FAA, and/or any other private or governmental organization of a data base of medical statistics relating to air travel, in an effort to assess the adequacy of aircraft systems, design, regulations, standards and practices from a health and safety standpoint and for the purpose of issuing FAA administrative advisory circulars and airworthiness directive to correct any deficiencies disclosed.

(b) The Administrator of the Federal Aviation Administration shall complete the study required by subsection (a) and submit a report of the results thereof to Congress not later than 6 months after the date of enactment of this Act.

(c) In conducting the study required by subsection (a) 1 through 6b the Administrator shall utilize all available studies, recommendations, data, current technology, and state of the art which are relevant to such study.

(d) There are authorized to be appropriated \$500,000 for the fiscal year commencing October 1, 1981 to carry out the study authorized by this Act.

#### TODAY'S SKIES NOT SO FRIENDLY

(By Philip J. Hilts)

If you thought the cabin air was a bit stale the last time you took a jet flight, it was.

If it was a coastal flight, you may have wondered, a little nervously, if the life rafts weren't missing. They were.

And if the descent toward the landing strip seemed a lot like a roller-coaster dive, that's because it was.

The nation's airlines are in the throes of a ferocious campaign to save ever-more-expensive jet fuel. One way to do that is to lighten the load—so everything that weighs anything has been studied with a cold eye. Every maneuver or flight plan has been reviewed.

On the big jets, ventilation has been cut by a third. This means that more than half the humidity you feel is actually the sweat, breath and other body moisture from fellow passengers. If you have ever wondered why pilots keep the cockpit door closed during flight, this is one important reason: pilots get 10 to 20 times more fresh air than passengers, and none of it is mixed with sweat or smoke from the passengers.

The amount of food served has been cut. The drinking fountains are not full anymore. Where there once were three seat-pocket magazines, there is now only one. Metal seats are being replaced by lighter plastic ones. Carpeting may soon be thinner and the floorboards are scheduled to be shaved.

Computers now calculate for pilots the most gas-saving fuel burn for each stage of maneuvers. One airline has even taken to pressing out the tiny nicks and dings in the

skin of the aircraft, in an effort to reduce the friction of air passing over its surface.

The most recent rumor is that wine will come out of its heavy little bottles and be put into light little cans.

The fuel-saving solutions range from the humorous to the serious, but for the airlines the cutbacks have brought spectacular results. Airlines are using one-third less fuel to carry one passenger one mile than they did in 1973.

The two most controversial, as well as most profitable, changes are dispensing with life rafts and reducing cabin ventilation.

According to the FAA, 15 airlines have asked for and received permission to remove life rafts from coastal flights—planes that fly up to 162 miles from shore between cities. The life rafts weigh a thousand pounds, and removing them can save an airline \$1.5 million dollars a year or more in fuel costs.

"We think this is a pretty shortsighted thing to do," said Rick Clarke, health and safety officer of the Air Lines Pilots Association. "The life rafts may be heavy, but there is a reason for them. We sympathize with the airlines' desire to save weight, but this doesn't look like the way to do it."

Airline and Federal Aviation Administration spokesmen said that modern jet aircraft can easily make it to shore on a single engine from as far as 200 miles out, but airlines and the FAA both acknowledge this does not take into account a situation in which the plane crashes into the sea, regardless of the number of engines working.

Several planes have gone down in coastal waters in recent years. In two cases—one in Los Angeles and one in San Francisco—life rafts were used to keep passengers afloat until rescuers reached them. In a third case, a National Airlines flight that had removed its life rafts days earlier crashed into the sea near Pensacola, Fla. Three died.

Fresh air in airplane cabins has been a subject of perennial complaint. Since the fuel crisis began, airlines have instructed their pilots on the bigger jets—such as the DC-10, 747, and L-1011—to shut down one of three ventilator packs. That could save each airline \$2 million a year.

Airlines maintain that they have few complaints about cabin air, and so long as the cabin air is relatively safe and passengers are apparently comfortable, there is no reason not to conserve on "excess air" pumped into the cabin.

The flight attendants' associations, however, have reported far more complaints from their membership about the irritation and sickness caused by cabin air, and have negotiated with the airlines to assure that ventilation packs can all be turned on when flight attendants request it.

There are no specific federal regulations on how much fresh air passengers must be given. But there are specific FAA regulations for pilots, because two decades ago pilots who had experienced eye, nose and throat irritation demanded a minimum level of fresh air. The FAA says pilots must get 10 cubic feet per minute; airlines actually supply between 70 and 150 cubic feet per minute of fresh air to the crew.

Although airlines and jet manufacturers differ on the amount of fresh air passengers get, the average is probably between 6 and 10 cubic feet per minute. One airline has said it is attempting to reduce fresh air per passenger to 5 cubic feet per minute.

At 4 cubic feet per minute, passengers and flight attendants could begin to experience the first symptoms of suffocation, according to Boeing and Lockheed spokesmen. At least four cases of apparent "oxygen deficiency" among flight attendants have been reported to a flight attendant's union and the FAA. The cause of the incidents, however, is not clear.

About half the air in the passenger cabin, as well as the moisture in it, is simply stale,

smoky cabin air recirculated and blown by fans back into the cabin. The reason for recirculating air, according to one jet manufacturer, is to make passengers feel more comfortable by raising the humidity—purely from their own body water. Otherwise, humidity can get uncomfortably low, especially on long flights.

"I find it just amazing," said one FAA worker, "that the way airlines cut down on weight is by taking off life rafts and cutting down fresh air. Think of the things they don't take off—the 250-pound liquor carts, for example. You can serve drinks without the carts. And most of the partitions in the cabin, like between first class and coach—those are purely decorative. They must weigh quite a lot, but they stay. And the thick, colored carpeting on the walls.

"Someone ought to take another look at the priorities operating here."●

**ADDITIONAL COSPONSORS**

S. 150

At the request of Mr. INOUE, the Senator from Arizona (Mr. DeCONCINI) was added as a cosponsor of S. 150, a bill to amend title 5 of the United States Code to provide payments under Government health plans for services of qualified mental health specialists.

S. 688

At the request of Mr. INOUE, the Senator from Arizona (Mr. DeCONCINI) was added as a cosponsor of S. 688, a bill to amend titles XVIII and XIX of the Social Security Act to provide that community mental health center services shall be covered under part B of medicare and shall be a required service under medicaid.

S. 1503

At the request of Mr. JOHNSTON, the Senator from Montana (Mr. BAUCUS) was added as a cosponsor of S. 1503, a bill to authorize the President to allocate supplies of crude oil and petroleum products during a severe petroleum supply shortage.

S. 1698

At the request of Mr. DENTON, the Senator from Nevada (Mr. LAXALT), and the Senator from California (Mr. HAYAKAWA) were added as cosponsors of S. 1698, a bill to amend the Immigration and Nationality Act to provide preferential treatment in the admission of certain children of U.S. Armed Forces personnel.

**AMENDMENTS SUBMITTED FOR PRINTING**

**STANDBY PETROLEUM ALLOCATION ACT OF 1981**

AMENDMENT NOS. 592 AND 593

(Ordered to be printed and to lie on the table.)

Mr. BRADLEY submitted two amendments intended to be proposed by him to the bill (S. 1503) to authorize the President to allocate supplies of crude oil and petroleum products during a severe petroleum shortage.

**DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS, 1982**

AMENDMENT NOS. 594 THROUGH 616

(Ordered to be printed and to lie on the table.)

Mr. McCLURE submitted 23 amendments intended to be proposed by him to the bill (H.R. 4035) making appropriations for the Department of the Interior and related agencies for the fiscal year ending September 30, 1982.

(The text of the amendments and remarks of Mr. McCLURE appear elsewhere in today's RECORD.)

**NOTICES OF HEARINGS**

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

Mr. GARN. Mr. President, on Tuesday, November 3, the Committee on Banking, Housing, and Urban Affairs will conduct hearings on the proposed pipeline that would transport natural gas from the Soviet Union's Yamul gasfields to Western Europe. The project poses significant dangers for the NATO alliance and raises serious questions for U.S. foreign policy. The hearings will focus on what would be an appropriate and effective U.S. response to this danger, including the role for U.S. export controls.

Witnesses will include representatives from the relevant Government agencies, as well as experts on energy and security matters and Soviet affairs. Currently just one morning of hearings is planned, with the possibility of holding further hearings at a later date, should circumstances warrant it.

Mr. President, this is a very serious matter, one in which several of my colleagues and I have taken a great interest. The notion of diversifying energy supply by going from the Persian Gulf to the Soviet Union is like embracing Mu' ammar Qadhafi in order to reduce reliance on the ayatollah. I just do not feel that the Europeans realize the danger, at least not sufficiently. At the same time, any effort to prevent the project from going through, if that effort is to be successful, must come from a strong, high level, consistent, sustained, and coordinated policy by this Government that includes the offer of alternative sources of energy to the Europeans. The Western Europeans must have reliable sources of energy, and that means that they cannot become dependent upon their enemies to get it. The Banking Committee hearings should go a long way to further the progress in conducting such an effective U.S. policy.

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. McCLURE. Mr. President, I would like to announce for the information of the Senate and the public the scheduling of a public hearing before the Committee on Energy and Natural Resources to consider Senate Joint Resolution 111, consenting to an extension and renewal of the interstate compact to conserve oil and gas. The hearing will be held on Thursday, November 12, beginning at 10 a.m. in room 3110 of the Dirksen Senate Office Building.

Those wishing to testify or who wish to submit written statements for the hearing record should write to the Committee on Energy and Natural Resources, room 3104, Dirksen Senate Office Building, Washington, D.C. 20510.

For further information regarding this hearing you may wish to contact Mr. Gary Ellsworth of the committee staff at 224-7146.

**ADDITIONAL STATEMENTS**

**FOREIGN ASSISTANCE ACT OF 1981**

● Mr. WEICKER. Mr. President, I was necessarily absent from the Senate yesterday during consideration of S. 1196, the foreign assistance bill. Meetings with several groups of constituents in Connecticut prevented me from casting my vote on final passage and several amendments which were offered. I would like to announce for the record that had I been able to vote, I would have voted aye on final passage of the bill, because I believe on balance it represents an important step to meet the international obligations and pursue the foreign policy of the United States.

On the matter of assistance to Chile, I oppose the outright repeal of restriction on assistance to the Chilean Government and thus would have supported the motion to table the Helms unprinted amendment No. 502 and the Percy substitute, No. 503.

Senator HATFIELD's amendment No. 518 expresses a legitimate concern for the stability of that region and the human rights record of the Zia Government; consequently I would have voted to approve the \$100,000,000 deletion.

Finally, I would have opposed Senator HELMS' amendment No. 509 dealing with Zimbabwe as it would be disruptive of our efforts to assist and establish good relations with that young nation.●

**HARRIS POLL ON CLEAN AIR**

● Mr. MITCHELL. Mr. President, the Clean Air Act is one of the landmark environmental statutes enacted during the last decade. The 1970 law marks the commitment of this country to the achievement of healthy air. Our national commitment was reaffirmed in 1977, when Congress enacted clean air amendments to fine tune the law.

The Senate Committee on Environment and Public Works will soon begin to consider amendments to the Clean Air Act. Before this process begins, I would like to call to the attention of my colleagues a recent Lou Harris poll.

This poll should be given serious attention as we debate clean air issues in this body. It indicates that an overwhelming majority, 80 percent, do not favor any relaxation in existing Federal regulation of air pollution. An equally significant aspect of the poll is the fact that not a single major segment of the public wants environmental laws relaxed, whether you look at large city residents, young people, women, groups categorized by income, professionals, white-collar workers, union members, Democrats, Republicans, those over 65, or those who voted for Ronald Reagan.

Mr. President, this is a powerful message. As Mr. Harris states, the results speak for themselves. He summarized the message of his poll results in the following way:

By any measure, they add up to a powerful message to Democrats and Republicans alike here in Congress: renew the Clean Air Act and don't do anything to it that would in any way make the air dirtier than it is now. While the public thinks that some regulation in other areas ought to be relaxed or even abolished, they will oppose vehe-

mentally any measure that might have the effect of reversing some of the environmental gains that have been made in the last ten years.

The American people are willing to make sacrifices in many areas to stop the miseries and ravages of inflation and an economy that is out of joint. But they will not tolerate any reductions in environmental clean-up efforts—and will regard such cuts as threatening the very quality of life in this last quarter of the twentieth century.

I am not an expert on this legislation nor on the subject of environmental regulation, but I can tell you this: this message on the deep desire on the part of the American people to battle pollution is one of the most overwhelming and clearest we have ever recorded in our twenty-five years of surveying public opinion.

I ask that Mr. Harris' testimony be printed in the RECORD following my statement.

Mr. President, I urge all Senators to read the results of this poll. They can be a valuable guide to us in the coming months.

The testimony follows:

TESTIMONY OF LOUIS HARRIS

Mr. Chairman, it is a privilege to be here today. I wish to note that I am here not as a partisan for or against the Clean Air Act or specific amendments that have been or may be proposed to it. Instead, I appear here at your invitation to relate to you and the Committee the results of a poll our firm has just conducted on this issue. This survey was not conducted for any private or public interest, but instead is part of the Harris Survey, which appears in over 200 newspapers across the country. Indeed, portions of this survey appeared this morning in those newspapers.

Before I discuss our latest findings, however, I'd like to review briefly the history of American public opinion on environmental issues. As late as 1967, people were by no means very concerned about pollution or committed to cleaning up the environment. By 46 to 44 percent, the public opposed paying \$15 more per year in federal taxes in order to finance air and water pollution control. Concern about the environment was then centered largely among the younger, more affluent, college-educated, and suburban sectors of the population. But public concern over air and water pollution took hold in earnest as the country entered the 1970s.

In 1971 Americans listed pollution control as a national problem second only to the state of the economy—ahead of the war in Vietnam, crime, and social unrest. Seventy-three percent reported significant levels of air pollution in their communities, and in a sharp turnaround from four years earlier, a 59-34 percent majority said they were willing to endure higher taxes of \$15 per year to curb air and water pollution, even as public willingness to pay higher taxes for other federal programs was declining. Clearly, concern over pollution had become a national issue—no longer just a cause for a select few.

As the 1970s progressed, and the nation was beset simultaneously by a deep recession and serious shortages of energy, the public recognized that efforts to solve the energy crisis and reduce unemployment might conflict with attempts to clean up the environment. Yet, as we found in 1975, an overwhelming 3 to 1 majority opposed cutting back on anti-pollution standards and controls in order to obtain more jobs or more energy.

Instead, with typical American confidence in our ability to solve our problems in a pluralistic way, the public said that they

thought we could continue efforts to clean up air and water pollution and at the same time find both more energy and a way to turn the economy around to ease unemployment. I should note here that an increasing number of Americans say they would favor going slow on the imposition of new environmental controls—but not the relaxation of existing standards—if they were convinced that this would help our energy problems.

So today, after a decade of the Clean Air Act and 9 years of the Clean Water Act, public concern for both aspects of environmental pollution remains high. As has almost always been the case, water pollution is considered a slightly more serious problem, in light of reports of toxic spills and the possible presence of carcinogens in drinking water. However, efforts to control air pollution also enjoy strong support.

Our latest results, which are attached to my testimony, show clearly just how committed the American people are in their resolve not to cut back or relax existing federal standards on air pollution. We gave people we interviewed across the country three overall choices on what should be done by this Congress about the Clean Air Act: should it be made stricter than it is now, should it be made less strict, or should it be kept the same as it is now?

The largest single group, a majority of 51 percent, want to keep the Act without change. But another 29 percent opt for making the act even stricter, while no more than 17 percent want it made less strict. This means that by 80 to 17 percent, a sizable majority of the public nationwide does not want to see any relaxation in existing federal regulation of air pollution.

Perhaps as impressive as this overall division is the fact that not a single major segment of the public wants the environmental laws made less strict. Let me go through a list of key groups. Most in favor of not relaxing the clean air regulations are big-city residents (by 83-14 percent), young people under 30 (90-10 percent), women (82-13 percent), those with incomes between \$15,000 and \$25,000 (85-13 percent), professionals (83-15 percent), white collar workers (82-16 percent), union members (82-16 percent), Democrats (84-13 percent), political moderates (83-16 percent), and liberals (82-15 percent).

Now let me tick off another list of key groups: residents of the South (by 79-17 percent), residents of the West (80-17 percent), rural residents (77-19 percent), those 65 and over (73-22 percent), those with incomes \$35,000 and over (75-24 percent), those who voted for Ronald Reagan in 1980 (76-22 percent), Republicans (75-22 percent), and conservatives (76-21 percent). Mr. Chairman, let there be no doubt about it: when you obtain such lopsided majorities on any issue, it is evident that there is a broad and deep consensus across the land.

In addition, we tested public attitudes toward six specific possible amendments to the Clean Air Act that we understand are being or may be considered by the Congress. Here are those results:

By 66-29 percent, a majority is opposed to relaxing "pollution standards to allow power plants to burn higher sulfur content oil and coal."

By 57-37 percent, a clear majority is also opposed to the federal government postponing "current deadlines for electric companies meeting power plant pollution standards." These results make evident that those electric utilities which are seeking any kind of relaxation of existing pollution standards are bucking public opinion. There is somewhat less opposition, although still a sizable majority, to postponing the imposition of new standards not yet in place.

By 61-34 percent, another big majority rejects the notion of relaxing "national air quality standards."

By a similar 61-36 percent, a majority would also oppose relaxing "regulations that protect national park and wilderness areas from air pollution."

By 58-38 percent, a majority is opposed to relaxing "current auto pollution standards."

Finally, by a closer 54-42 percent, a majority would oppose postponing "current deadlines for auto companies meeting auto pollution standards." Let me say that this last result indicates some sympathy by the American people with the plight of the American automobile industry. They are well aware that competition, especially from the Japanese, has caused severe hardship in that industry. But, as much as they would like to help the auto industry, people do not want to see delays in the industry meeting current deadlines on air pollution standards. Such relief, a majority feel, will have to come elsewhere.

The last piece of evidence from our surveys I would like to introduce here deals with an issue that has been much debated in connection with the Clean Air Act: the matter of putting cost considerations on EPA clean air standards. Here is the question we asked:

"The Clean Air Act does not permit the consideration of costs when setting standards for the protection of human health. The Reagan Administration is considering asking Congress to require that pollution standards designed to protect human health be relaxed if the costs are too high. Do you favor or oppose relaxing pollution standards affecting human health, if the costs are too high?"

By a resounding 65-32 percent, a substantial majority says they are opposed to any constraint on human health standards on cost grounds. It should be noted that Westerners are most strongly opposed (by 72-26 percent). Other groups strongly opposed are young people under 30 (by 72-27 percent), women (70-26 percent), those with incomes between \$15,000 and \$25,000 (70-28 percent), and white collar workers (69-31 percent).

But it should also be noted that over 60 percent of the residents of the Midwest, the South, and the East, as well as union members, independents, and political moderates all share this view. The closest divisions are among Republicans, who oppose cost constraints by 56-42 percent; conservatives, who feel the same by 56-41 percent; those who voted for President Reagan (by 56-41 percent); and those with incomes over \$35,000 (by 55-41 percent). These are relatively close divisions, but the key fact is that majorities of every group oppose any effort to put cost constraints on environmental regulations that protect human health.

In many ways, Mr. Chairman, these results speak for themselves. By any measure, they add up to a powerful message to Democrats and Republicans alike here in Congress: renew the Clean Air Act and don't do anything to it that would in any way make the air dirtier than it is now. While the public thinks that some regulation in other areas ought to be relaxed or even abolished, they will oppose vehemently any measure that might have the effect of reversing some of the environmental gains that have been made in the last ten years.

The American people are willing to make sacrifices in many areas to stop the miseries and ravages of inflation and an economy that is out of joint. But they will not tolerate any reductions in environmental clean-up efforts—and will regard such cuts as threatening the very quality of life in this last quarter of the twentieth century. I am not an expert on this legislation nor on the subject of environmental regulation, but I can tell you this: this message on the deep de-



sire on the part of the American people to battle pollution is one of the most overwhelming and clearest we have ever recorded in our twenty-five years of surveying public opinion.

TABLES

Between September 19th and 24th, the Harris Survey asked a cross section of 1,249 adults nationwide by telephone:

"Congress will soon reconsider the Clean Air Act, which is now ten years old. Given the costs involved in cleaning up the environment, do you think Congress should make the Clean Air Act stricter than it is now, keep it about the same, or make it less strict?"

STRICTNESS OF CLEAN AIR ACT

	[In percent]			
	Make it stricter	Keep about the same	Make it less strict	Not sure
September 1981.....	29	51	17	3
May.....	38	48	12	2
February.....	36	46	12	6
September Demographics				
East.....	35	45	18	2
Midwest.....	25	55	16	4
South.....	25	54	17	4
West.....	33	47	17	3
Cities.....	34	49	14	3
Suburbs.....	32	48	19	1
Towns.....	31	49	16	4
Rural.....	21	56	19	4
Age:				
18 to 29.....	40	50	10	—
30 to 49.....	26	52	19	3
50 to 64.....	25	48	22	5
65 and over.....	21	52	19	8
8th grade.....	20	48	20	12
High school.....	30	50	17	3
College.....	30	51	17	2
Men.....	24	53	22	1
Women.....	34	48	13	5
White.....	27	53	17	3
Black.....	36	40	17	7
\$7,500 or less.....	35	45	17	3
\$7,501 to \$15,000.....	31	50	16	3
\$15,001 to \$25,000.....	33	52	13	2
\$25,001 to \$35,000.....	22	53	24	1
\$35,001 and over.....	21	56	21	2
Professional.....	28	55	15	2
Executive.....	36	44	20	—
Proprietor.....	35	46	18	1
Skilled labor.....	25	54	21	—
White collar.....	30	52	16	2
White Protestant.....	24	54	19	3
White Catholic.....	32	51	15	2
Jewish.....	29	67	4	—
Union member.....	32	50	16	2
Voted Reagan 1980.....	24	52	22	2
Voted Carter 1980.....	29	50	17	4
Republican.....	23	52	22	3
Democrat.....	33	51	13	3
Independent.....	28	49	21	2
Conservative.....	25	51	21	3
Middle of road.....	29	54	16	1
Liberal.....	37	45	15	3

"Now I'm going to ask you about some specific changes that are being considered in the Clean Air Act. For each, tell me whether you favor or oppose the change."

CHANGES IN CLEAN AIR ACT

	[In percent]		
	Favor	Op-pose	Not sure
Postpone the current deadlines for auto companies meeting auto pollution standards.....	42	54	4
Relax current auto pollution standards.....	38	58	4
Postpone current deadlines for electric companies meeting power plant pollution standards.....	37	57	6
Relax regulations that protect national park and wilderness areas from air pollution.....	36	61	3
Relax national air quality standards.....	34	61	5
Relax pollution standards to allow power plants to burn higher sulphur content oil and coal.....	29	66	5

"The Clean Air Act does not permit the consideration of costs when setting standards for the protection of human health. The Reagan Administration is considering asking Congress to require that pollution standards designed to protect human health be relaxed if the costs are too high. Do you favor or oppose relaxing pollution standards affecting human health if the costs are too high?"

RELAX POLLUTION STANDARDS PROTECTING HUMAN HEALTH IF COSTS TOO HIGH?

[In percent]

	Favor relaxing standards	Oppose relaxing standards	Not sure
Total nationwide.....	32	65	3
East.....	33	66	1
Midwest.....	35	61	4
South.....	33	63	4
West.....	26	72	2
Cities.....	29	68	3
Suburbs.....	31	66	3
Towns.....	33	65	2
Rural.....	37	58	5
Age:			
18 to 29.....	27	72	1
30 to 49.....	35	62	3
50 to 64.....	36	62	3
65 and over.....	34	59	7
8th grade education.....	30	64	6
High school.....	31	65	4
College.....	34	64	2
Men.....	39	58	3
Women.....	25	70	4
White.....	33	64	3
Black.....	31	67	2
\$7,500 or less.....	28	69	3
\$7,501 to \$15,000.....	30	68	2
\$15,001 to \$25,000.....	28	70	2
\$25,001 to \$35,000.....	37	61	2
\$35,001 and over.....	41	55	4
Professional.....	32	64	4
Executive.....	43	55	2
Proprietor.....	43	52	5
Skilled labor.....	30	69	1
White collar.....	31	69	(1)
White Protestant.....	37	59	4
White Catholic.....	26	72	2
Jewish.....	23	75	2
Union member.....	31	67	2
Voted Reagan in 1980.....	41	56	3
Voted Carter in 1980.....	25	72	3
Republican.....	42	56	2
Democrat.....	26	71	3
Independent.....	33	65	2
Conservative.....	41	56	3
Middle of the road.....	31	67	2
Liberal.....	22	76	2

1 No response.

METHODOLOGY

This Harris Survey was conducted by telephone with a representative cross section of adults 18 and over at 1,249 different sampling points within the United States between September 19th and 24th. Figures for age, sex and race were weighted where necessary to bring them into line with their actual proportions in the population.

In a sample of this size, one can say with 95 percent certainty that the results are within plus or minus three percentage points of what they would be if the entire adult population had been polled.

This statement conforms to the principles of disclosure of the National Council on Public Polls.●

RUINOUS HIGH INTEREST RATES

● Mr. BOREN. Mr. President, recent news reports have suggested that the latest economic reports from the automobile industry will show a continuing decline in our Nation's economic health. Unfortunately, these reports are proving to be worse than we had anticipated.

I have been notified today that General Motors, early next month, will indefinitely suspend its second shift at its

Oklahoma City plant. No time has been designated for when this shift might be restored. This suspension will affect approximately 2,500 people. This layoff is in the most modern of General Motors plants which has been producing its best selling models.

The layoff at the General Motors plant in Oklahoma City is just another indication of the urgent need to bring down interest rates to reasonable levels. While high interest rates alone are not the complete cause of problems in the auto industry, they are a significant part of the problem.

I met this morning along with a group of members of the Senate Finance Committee with Federal Reserve Board Chairman Paul Volcker and expressed my feelings to him that he, the President, and the Secretary of the Treasury should immediately go to work to develop a policy to bring down the rates. This situation demonstrates that no States or area of the country is immune from the effects of a failure to deal with high interest rates. I hope this layoff will be only temporary and will continue to do all that I can to improve the economic environment.

Mr. President, we are faced every day with increasing reports of recession and continued high interest rates. We have waited too long to take remedial action. Something must be done immediately to prevent irreparable harm to our economy. Coordinated action to bring monetary and fiscal policy into harmony is urgently needed. I will continue to address this issue on a daily basis because it is imperative that these ruinous high interest rates remain the focus of our attention in bringing our economy back under control.●

ESTABLISHMENT OF A PRESIDENTIAL COMMISSION FOR THE 200TH ANNIVERSARY OF THE CONSTITUTION

● Mr. SPECTER. Mr. President, on September 17, the 194 anniversary of the framing of the U.S. Constitution, I introduced S. 1631 to establish a Presidential Commission for the 200th Anniversary in 1987. A letter dated October 5, 1981, from the dean of University of Pittsburgh School of Law so well states what we are attempting here that I ask to have it printed in the RECORD.

The letter follows:

UNIVERSITY OF PITTSBURGH,  
October 5, 1981.

HON. ARLEN SPECTER,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR SPECTER: I have your letter of September 25, 1981 and the attached copy of S. 1631 which I read with great interest. I was delighted to learn of your sponsorship of this important piece of legislation. It evidences your understanding of the need for further education of all members of our society regarding the majesty of the Constitution of the United States. In my view, there is a need for a great deal of remedial education and a particular understanding of the American legal process from a constitutional perspective. For many years, it has been my view that one of the great educational deficiencies

of our society is the almost abysmal lack of understanding of the legal process by the overwhelming majority of those affected by that process. While there have been some interesting efforts to begin the education of Americans in legal process at various educational levels, those efforts have been relatively unsuccessful to the present time. Therefore, I am more than pleased to support S. 1631 with great enthusiasm at this most appropriate time. While I focus upon the educational opportunity this bill provides, I am also aware of the great influence it can have in providing all Americans with a heightened sense of their origins and a sense of cohesion in a better understanding of how our governmental process is designed to react more effectively to the legitimate felt needs and desires of the people. It will be highly beneficial if it simply provides some better understanding that the whole design of the constitutional process in this country is to provide those conditions which will maximize the opportunities for individual development.

I am more than pleased to lend my total support to your important bill. If I can be of further service, please feel free to call upon me.

Sincerely,

JOHN E. MURRAY,  
Dean. ●

#### WHO CREATES JOBS?

● Mr. WEICKER. Mr. President, I would like to bring to the attention of my colleagues a most important article in the fall issue of the Public Interest. Written by Prof. David L. Birch of MIT, the article is entitled "Who Creates Jobs?" Among the principal findings reported by Professor Birch are:

First. Over 80 percent of the net new jobs during the period 1969-76 were created in small business, that is, firms with 100 or fewer employees. And in the northeast, an incredible 177 percent of the new jobs were created by firms with 20 or fewer employees;

Second. Eighty percent of the new jobs are created by young firms;

Third. The small firms which are the job creators are volatile; they do not experience a steady growth pattern. Rather their growth is very dynamic and appears to oscillate constantly; and

Fourth. The major source of replacement jobs has shifted away from industries that provide goods. Industries which provide services are now the greatest creators of new jobs.

Mr. Birch points out that our economy is in a period of transition as—

We are moving from manufacturing to services, from hardware to "thoughtware", from large-scale capital intensive companies to smaller scale labor-intensive companies, and from a dependence on physical capital a dependence on human capital.

I believe this article has far-reaching implications for Government policies and for our economy. Clearly, our human capital policies and our economic development programs will need to take better account of these primary engines of job creation in our country—the young, small business, service-oriented sector. And, Mr. President, this will be even more vital for the older cities, particularly in the Northeast. I urge my colleagues to read and to consider this important article.

Mr. President, I ask that the article be printed in the RECORD.

The article follows:

#### WHO CREATES JOBS?

(By David L. Birch)

As a nation, we must create about 15 million new jobs in the 1980's to employ all of our expanding adult population. This is less than the 19 million we created in the 1970's to absorb "war babies" into the labor force, but it is still quite a large number. Assuming that present attitudes toward government extend at least a few years into the decade, the government sector as a whole will produce no more than one-quarter of the needed 15 million. The private sector will have to produce the rest. All of this will have to take place during a period in which the structure in the U.S. economy is undergoing very basic changes.

As a group of us at the M.I.T. Program on Neighborhood and Regional Change began to think about how the nation will meet this challenge, we came to appreciate how little we knew about the processes by which job creation takes place. Most students of the economy have tended to focus on the aggregate measures of economic change flowing out of the GNP accounts, and have not probed the activities of the individual companies that make it all happen. These analysts may guess about what kinds of corporate behavior are causing shift, but they never really know for sure.

On the other end of the spectrum, those who have studied the behavior of individual corporations rarely have added up the firms to see how they come together to create the whole. "Input-output analysis" is one of the major exceptions to this, focusing as it does on transactions between businesses in the economy. Welcome as this innovation has been, it has suffered (as have other attempts to aggregate parts to form economic wholes) from the enormous costs of collecting the necessary data. As a result, it tends to be out of date, and its results are expressed in terms of transactions between whole industries, not between firms.

Our inability to understand the gap between the "micro" economy and "macro" economy is now seriously hampering efforts to develop policies that will generate jobs for the people and the places that need them, without causing inflation at the same time. We know very little about who the major job creators are, where they are active, who controls those jobs, and who is most likely to respond to changes in economic policy. In the absence of such knowledge, national policy has been to stimulate the entire economy as though it acted as a single unit, using instruments like broad tax incentives, easier access to money, and public works programs of various sorts. This can be a very expensive and inflationary approach if, in fact, most of the recipients do not use the incentives to increase employment and productivity. What we need, and have lacked, is the ability to focus our incentives on those who will make good use of them without wasting taxpayers' monies on those who will not.

Frustrated by the inability to relate micro to macro, and thereby to discover how change takes place, our group at M.I.T. began casting about for a new data source that would permit us to analyze inexpensively a large sample of the entire corporate population, one establishment at a time. Our search uncovered the so-called DMI file created by the Dun and Bradstreet corporation. The file contains records for about four million establishments, about 80 percent of the total recognized establishments in the country. We devised a way to combine the data for each establishment for four differ-

ent years (1969, 1972, 1974, 1976) to obtain a history of the development of each establishment during this period. In the process we added in new firms that were formed along the way, yielding a total of about 5.6 million establishments over the seven-year period. We also edited the records extensively to eliminate establishments for which the data seemed at all questionable. When we were done, we were able to trace what happened to the employment, sales industry, corporate affiliation, age, and location of each establishment over this time. By aggregating establishments, we could see who was contributing to job growth in different periods and places.

TABLE I.—PERCENTAGE OF JOB LOSSES AND GAINS BY GROWTH RATE FOR STATES<sup>1</sup>

State growth rate <sup>2</sup>	Fast	Moderate	Slow	Decline	U.S. average
1969-72:					
Gains.....	13.8	10.9	8.5	7.5	10.4
Losses.....	8.3	8.0	7.7	8.4	8.1
Net.....	5.5	2.9	.8	-.9	2.3
1972-74:					
Gains.....	12.4	10.1	9.0	-----	10.9
Losses.....	7.2	7.2	7.6	-----	7.2
Net.....	5.2	2.9	1.4	-----	3.7
1974-76:					
Gains.....	15.1	11.4	10.7	8.3	11.2
Losses.....	8.9	8.7	9.7	9.3	9.2
Net.....	6.2	2.7	1.0	-1.0	2.0

<sup>1</sup> Source: M.I.T. program on neighborhood and regional change.

<sup>2</sup> The 4 classes of employment change are: Fast (over 4 percent per year), moderate (2 to 4 percent per year), slow (0 to 2 percent per year), and decline (less than 0 percent per year). On the average this breakdown divides States into roughly 4 equal groups although the size of the groups in any particular year is sensitive to the business cycle.

#### JOB CREATION IS WHAT REALLY MATTERS

For any particular place, it turns out that there are six quite different ways that an establishment can affect an area's job base. On the plus side, jobs are added to the pool each year whenever a new firm starts up, an existing firm expands, or a firm located elsewhere moves in. Jobs are lost whenever an establishment closes its doors, lays off people, or moves out. We have come to call these six "job flows": births (a new firm starting), expansions, in-migrants, deaths (an existing firm closing its doors), contractions, and out-migrants. The extent to which an area's job pool expands or contracts in total over the year depends on the relative balance between these flows during the year.

We discovered a number of interesting things about the job flows. First, virtually none of the employment change in an area is due to firms moving, in the sense of hiring a moving van and relocating. Many firms move short distances each year, but virtually none move from one metropolitan or rural area to another. When a move does occur, it is widely publicized in the press, and it is easy (without evidence to the contrary) to begin to pin all of an area's economic woes on the fleeing firm. Any hard look at the numbers, however, will show that fleeing firms take only a small number of jobs with them, and that for every firm that flees there tends to be another firm with a similar number of jobs moving in. The net effect of firm "migration" is thus negligible relative to the job base (and the other job flows) for most places.

The second striking phenomenon observed in the analysis of employment change is the constancy of job losses. Every area in the United States seems to lose jobs at about the same rate, regardless of how rapidly the net job pool is expanding or contracting.

Table I sorts states into different groups by growth-rate and displays the gains and the losses for each group in each of the three periods studied. As can be seen, virtually all the differences in the net change are due to differences in the gain rates, the sum of the loss rates being remarkably similar across states. There is a variation in average loss rates over time with the business cycle in the expected directions, but all states seem to float up and down together on the loss side, varying between seven and nine percent.

The same phenomenon appears to hold across cities, and even within them. Table II summarizes the loss and gain rates for ten metropolitan areas for which the neighborhood location of each business has been located. The differences in loss rates are relatively small, and if anything the more rapidly growing areas also experience the highest losses. Houston and Charlotte show somewhat higher loss rates than Worcester and New Haven, for example. Again, it is the variation in the gain rates that is so large, the rapidly growing areas replacing lost jobs at two or three times the rate of the declining ones. The same general phenomenon is observed for the central cities and suburbs within these metropolitan areas.

TABLE II.—PERCENTAGE OF FIRMS GAINED AND LOST IN 10 METROPOLITAN AREAS, 1972-76<sup>1</sup>

Area <sup>2</sup>	Percent gain	Percent loss	Percent net
Houston.....	62.7	35.7	27.0
Charlotte.....	48.0	40.4	7.5
Dayton.....	36.4	31.4	5.1
Rochester.....	33.7	29.3	4.5
Boston.....	37.4	33.7	3.8
Baltimore.....	36.5	32.9	3.5
Hartford.....	36.6	35.5	1.1
Worcester.....	24.6	25.1	-.5
New Haven.....	27.0	29.5	-2.6
Greenville.....	26.9	35.1	-8.4
U.S. average.....	37.0	33.7	4.1

<sup>1</sup> Source: M.I.T. program on neighborhood and regional change.  
<sup>2</sup> Standard metropolitan statistical areas.

The average loss rate is also quite high. An eight percent loss every year means that half of an area's jobs and establishments must be replaced every five years for the area simply to break even. We seem to have developed an economic system in which experimentation and risk-taking are very common. As a consequence, we experience and tolerate very high failure rates. The more dynamic the local economy (e.g., Houston) the greater the risk-taking and the greater the proportion of firms that fail. It could easily be argued (without being facetious) that one of our greatest strengths as a nation is our capacity for failure—the grace and even enthusiasm with which we accept those who try and fail and come back to try again. To our counterparts in the industrial world, this churning in our system seems extraordinary. We take it for granted, and at times even try to stifle it under the misguided banner labeled "job retention." The reality is that our most successful areas are those with the highest rates of innovation and failure, not the lowest. Areas that are declining are not declining because their rates of loss are higher. They are declining because they are not competing effectively for new jobs.

THOSE SMALL, VOLATILE JOB REPLACERS

Since we turn over such a large proportion of our job base every year—in all industries and all areas—the overall character of our economy is affected quite quickly by the nature of the job replacers. It no longer takes generations to transform our economy—only a decade or two. We must thus focus our attention on the job replacers. Who are they? In what sectors of the economy are they found? How big are they? How old are they? Where are they located?

TABLE III.—PERCENTAGE OF JOBS CREATED BY SIZE OF FIRM AND REGION<sup>1</sup>

Number of employees in firm	Percent of jobs created				U.S. average
	North-east	North Central	South	West	
0 to 20.....	177.1	67.2	53.5	59.5	66.0
21 to 50.....	6.5	12.0	11.2	11.6	11.2
51 to 100.....	-17.4	5.2	5.5	6.3	4.3
101 to 500.....	-33.3	3.1	9.4	9.3	5.2
501 plus.....	-32.9	12.4	20.4	13.3	13.3
Total.....	100.0	100.0	100.0	100.0	100.0

<sup>1</sup> Source: M.I.T. program on neighborhood and regional change.

For one thing, job replacers tend to be small. Of all the net new jobs created in our sample of 5.8 million businesses between 1969 and 1976, two-thirds were created by firms with twenty or fewer employees, and about 80 percent were created by firms with 100 or fewer employees (see Table III). Smaller businesses more than offset their higher failure rates with their capacity to start up and expand dramatically. Larger businesses, in contrast, appear rather stagnant. They may be expanding output with more capital equipment (although those who study productivity suggest that this has not been the case recently) or they may expand by opening operations abroad. Whatever they are doing, however, large firms are no longer the major providers of new jobs for Americans.

Another distinguishing characteristic of job replacers is their youth. About 80 percent of the replacement jobs are created by establishments four years old or younger (see Table IV). Not all small businesses are job creators. The job creators are the relatively few younger ones that start up and expand rapidly in their youth, outgrowing the "small" designation in the process.

Job creators are also quite volatile. The road to future growth is a tortuous one indeed. We had thought that a firm grows and develops much like a human being: It starts small, grows smoothly and rapidly during a "growth phase," matures and stabilizes for some period, and eventually becomes outdated and falls off. Our research now suggests quite a different process. Dynamic, job creating establishments appear to oscillate, or pulsate, constantly. Periods of expansion are the best predictors of future decline, and declining periods are the foundation upon which future business growth is based.

Stable firms, those that have somehow isolated themselves from the ups and downs in the world around them, are the most likely to fall in the end. A sample of 1.4 million establishments that existed throughout the 1969-76 period shows that establishments that grew sharply in the past are the most likely to decline in the future, that recently declining establishments are the ones most likely to grow in the future, and that stable firms are far and away the most likely to go under (Table V). These oscillations from one year to the next are much greater than the average growth or decline that one would expect from a "life-cycle" model of corporate change. Those firms that insulate themselves from fluctuation appear to have cut off the very vitality that keeps their counterparts going. Just as failure appears essential to our system, so does instability.

Recent job replacers overwhelmingly tend to be providers of services—broadly defined to include all those private activities outside of the so-called "goods-producing" sector (manufacturing, agriculture, mining, and construction). During the period we studied, manufacturing firms in our sample actually lost jobs on balance, this small loss being offset by substantial gains elsewhere. The older, more northern, and more urban the area, the more this was true. Manufacturing picked up slightly nationwide dur-

ing the latter part of the decade, but by the time the 1970-1980 U.S. figures were in, manufacturers as a group had created only 5 percent of the net new jobs in the 1970's and the goods producers as a whole accounted for only 11 percent. The other 89 percent were in services of one kind or another. Just as we moved in the 1820's and 1830's from being a basically agricultural society to being an industrial one, so now are we rapidly abandoning our heavy industrial base in favor of jobs that demand greater use of our minds and less use of our muscles and dexterity.<sup>1</sup>

TABLE IV.—PERCENTAGE OF REPLACEMENT JOBS CREATED BETWEEN 1974 AND 1976 BY AGE OF ESTABLISHMENT AND REGION<sup>1</sup>

Age of business:	Percent of replacement jobs created			
	North-east	North Central	South	West
0 to 4.....	75.5	80.8	80.4	80.9
5 to 8.....	10.4	8.4	9.9	8.8
9 to 12.....	7.5	6.0	5.1	5.5
13 plus.....	6.6	4.8	4.6	4.8
Total.....	100.0	100.0	100.0	100.0

<sup>1</sup> Source: M.I.T. program on neighborhood and Regional change.

TABLE V.—PERFORMANCE OF ESTABLISHMENTS BASED ON THEIR HISTORY OF GROWTH<sup>1</sup>

	[In percent]		
	Percent in 1974-76 with—		
	Rapid growth	Rapid loss	Death
1969-72 history:			
Rapid growth <sup>2</sup> .....	11.1	16.5	4.3
Small change.....	9.4	7.6	24.6
Rapid loss <sup>2</sup> .....	21.9	8.0	12.6

<sup>1</sup> Source: M.I.T. program on neighborhood and regional change.  
<sup>2</sup> Greater than 50 percent change.

These basic shifts in the nature of job replacement are not unique to the U.S., although we tend to be further advanced along this path than other nations. Nor are the findings unique to our data set or approach. Others, here and abroad, using different ways of measuring the behavior of individual firms, are finding much the same thing.

The transformation is thus a fundamental and far reaching one. We are moving from manufacturing to services, from hardware to "thoughtware," from large-scale capital-intensive companies to smaller-scale labor-intensive companies, and from a dependence on physical capital to a dependence on human capital. These shifts have been facilitated by the increasingly international nature of our economy. We no longer have to make what we consume. Instead, we increasingly create and market products that we let others assemble for us. As a result, our exports and imports have risen from 7 percent of GNP in 1950 to 15 percent in 1979, and our private assets abroad have increased from \$19 billion to \$377 billion over roughly the same interval.

INTERVENE ON IMPROVE THE CLIMATE?

Those who would try to influence our economic system during this sometimes difficult period of transition are faced with some very thorny problems. At the heart of the matter is the age-old problem of choosing between a direct interventionist policy or an indirect improve-the-climate policy.

<sup>1</sup> There are bright spots within the sluggish manufacturing sector including very small manufacturers and high-technology, high "thought-content" firms. The bright spots are not bright enough, however, to significantly offset the general malaise elsewhere.

Those advocating a direct policy would have us provide assistance to individual companies or industries through government actions of some sort—loans, loan guarantees, contracts, grants, import restrictions, etc. Going the climate-improvement route involves changing the general tax and regulating environments in ways that entrepreneurial business people find attractive, thus letting the market determine who flourishes and who does not.

A direct policy is, and always has been, a "natural" for governments. It gives them a feeling of accomplishment—a series of deals (and jobs created) that they can point to with pride. Thus, it is not surprising to find that we have a broad array of such programs spanning several administrative branches of government, from the federal to the state and local levels.

In view of our findings on job creation and shifts in the economy generally, it appears that a direct intervention will become increasingly difficult (and frustrating) to administer. How, for instance, is an official at any level of government going to decide whom to aid? In the past, the most natural choice has been the large, stable, well-known companies because they could easily be identified (their well-financed lobbyists made sure of that) and because their risk of failing in the short-term was minimal.

But these are the companies that are the least likely to create jobs. And assisting them has a long history of not working. The Dutch and British, who have gone much farther down this road than we, have had many failures and very few successes. Our own experience, while far less extensive, is not too encouraging either. Propping up large-scale, noncompetitive private bureaucracies seems to subsidize incompetence rather than cure it.

If these same interventionists choose to redirect their efforts toward the smaller end of the scale, their problems are no less severe. How will they pick the one out of 100 or 300 small firms that will become a major job creator? How will they absorb the enormously high transactions cost associated with making thousands (or hundreds of thousands) of small-scale interventions? How will they endure the embarrassment and threat of scandal associated with a project failure rate of 30, 40, or 50 percent? These problems are not unique to government agencies. They explain in great measure why banks, insurance companies, pension funds, and university endowments are equally hesitant to become involved in small-business affairs, and why some very high percentage (in the range of 80 to 90 percent) of all startup and expansion capital for smaller businesses comes from immediate, personal sources: personal savings, friends, and relatives.

Furthermore, smaller businesses apparently do not want direct assistance. Not a single recommendation coming out of the recent White House Conference on Small Business asks that government programs or regulations be increased. The practically universal cry of owners of small businesses is that governments establish a more favorable climate and let entrepreneurs run their businesses as only they know how.

This cry, and others like it, have led many in Washington to consider seriously the value of a predominantly "climate" policy. Its purpose would be to create an environment in which innovative job-creating firms flourish. Since smaller businesses appear to be playing an increasingly important role in the economy, special attention is being paid to their concept of a good economic environment. Following their recommendations to the White House Commission on

Small Business, the list of improvements would include (1) lower personal taxes on capital gains, (2) lower estate taxes (so companies may be kept within a family), (3) a slower rise to the full corporate tax rate (to compensate for the unintended progression into higher brackets caused by inflation), (4) fewer and simpler regulations, (5) simpler depreciation rules, and (6) equal opportunity for smaller business in government procurements.

We should not infer from the recent interest in climate policies that they are universally embraced by governors and mayors. For one thing, there would be a relatively small role for these elected and appointed officials to play in the management of our economy. There are also definite problems associated with depending entirely on smaller businesses to create jobs. They have little capacity for example, for conceiving, developing, and marketing the kinds of products and services that can only be provided on a large scale—jet aircraft, large-scale integrated circuits, space shuttles, communications satellites, telephone service, etc. Smaller businesses seem to function much better as subcontractors to larger companies in these situations, relying on the larger company for the design and international marketing aspects of the job.

#### THE REINDUSTRIALIST ILLUSION

The choice between direct intervention and climate policies will ultimately depend on what we wish to accomplish. An increased emphasis on business climate will more than likely accelerate the trend toward the dominance of smaller service-sector firms as the sources of new jobs in our economy, an increasing dependence on foreign countries for manufactured goods, and an increasing dependence on investments in human capital rather than physical capital, with all the attendant declines in measured productivity that would entail.

There are some who find that natural trend threatening. Pointing frequently to the Japanese and their increasing dominance of what used to be many of our markets, they advocate that we "reindustrialize"—that is, go back to investing more in plants that will make things more efficiently so we can meet foreign competition in markets we are now losing. Since our private sector companies do not seem to be doing this on their own, the argument goes, some form of intervention is called for.

There are several problems associated with this attempt to roll back the clock. First, it is not clear what "universal solvent" we dip our noncompetitive industries into so that they suddenly become creative again, invest in new technologies, and work harder. Protective tariffs and import restrictions will certainly not accomplish it. Forced savings by households and businesses to finance needed physical capital (a common practice in Japan) is certainly not part of our culture.

Secondly, it is not clear that we should devote a tremendous effort to find a universal solvent. In our almost compulsive fascination with the Japanese and the effectiveness with which they have competed in certain markets (automobiles, electronics, watches, etc.) we lose sight of our competence in producing the "thoughtware" upon which so much of the Japanese hardware is based. It is not an accident that of the 176 Nobel science prizes awarded since 1950, the United States has received 93, the European community another 68, and Japan only two. We dominate the thoughtware field just as others are coming to dominate hardware production. And the emphasis in many fields is shifting from hardware to thoughtware. It was not uncommon five years ago for 90 per-

cent of the cost of a computer installation to be in hardware, and only 10 percent in software (software, as the computer industry calls it). Five or ten years from now, it will not be unusual for those percentages to be reversed—80 or 90 percent software and only 10 or 20 percent hardware. For many of the same reasons, Robotics Age (one of the journals of the blossoming robot industry) recently changed its name to Robotics Age: The Journal of Intelligent Machines, saying: "... the character of the industrial robot market is rapidly moving towards increased intelligence in the controller. As this happens, the nature of the problems, both in design and application, is quickly changing from hardware to software."

What it comes down to, then, is this: Do we want to try to beat the Japanese (and others like them) at their game or play our own game instead? The evidence we have collected suggests that: (1) the odds of our beating them at their game are slim, and (2) that we are doing quite well at our own game if we can recognize it for what it is. We have spawned an extraordinary number of idea factories—in universities, businesses, and government—that generate a high percentage of the world's original ideas and that now provide employment for a greater percentage of our work force than ever before in history. In the absence of a major international conflict, this division of labor between ourselves and those who choose to make things is not necessarily bad and could well, given present trends, turn out very much in our favor.

We pay a price during a transformation of this sort. The relatively few workers who still make things in factories<sup>2</sup> must adjust to different kinds of employment. Our enormous mobility gives us an advantage over other nations whose people are less mobile. But we are still left with older, skilled craftsmen for whom moving and retraining does not come easily.

Also, in the unfortunate circumstances that we enter another world war, our dependence upon others for manufactured goods could turn out to be a major liability. It already is. Every time imports rise as a percent of our GNP, our dependence increases. Furthermore, to the extent that our dependence is concentrated in selected areas (transportation equipment, electronics, computers, steel, petroleum) the effect could be even more crippling. We have experienced it recently in oil; the Russians are now feeling it in food.

National security is a major, compelling argument for stemming the present tide. It is a strong argument, and is not easily dealt with. Patriotism alone will not make our automobile plants or our steel plants or our computer plants more competitive. Nor are trade barriers and protection likely to lead to the superior technology we would need to succeed in the very conflict we are hedging against. In short, we still seem to lack the "solvent" to transform our noncompetitive industries in peacetime even if we decided, as a national policy, that it was important to do so.

Thus develops a more interdependent collection of nations in which we play a specialized role. Luckily ours is one of the more interesting and promising parts in the play. And we seem, without strong supporting policies, to be developing a mix of larger and aggressive smaller businesses to play our role well. Perhaps we should spend less time

<sup>2</sup> About 13 percent of the workforce is still engaged in actual manufacturing operations, as distinguished from those who manage or sell or account for the goods made by the others in firms labeled "manufacturing."

worrying about what the Japanese do better, and worry instead about how to do better what we do best.●

#### DEATH OF WILLIAM NORWOOD

● Mr. INOUE. Mr. President, I have been privileged to serve as a Member of this body since 1962. I suppose each of us can trace his presence in Congress to a person or persons who exhibited dedication and faith in the early days of our careers, when such confidence was lacking among others—perhaps even ourselves. Just such a person in my career was William Norwood, to whom I owe a deep debt of gratitude. His passing a few days ago is mourned by his many friends and admirers in Hawaii and the Pacific.

William Norwood served with honor and distinction throughout his public career, as a newspaper reporter, close aide to Gov. John A. Burns, and High Commissioner of the Trust Territory of the Pacific Islands. He contributed generously of his time and efforts to the welfare of his fellow citizens, in a variety of community organizations.

There have not been many words published about the work of William Norwood, because he preferred to be out of the public limelight. But his achievements rate a place in history as among the most important in Hawaii and the Pacific.

More than that, my beloved friend will forever hold a special place in my heart, for his role in my journey to Washington. I only pray that I may demonstrate a bit of his courage and resolve, in my public service career.

Mr. President, I ask that the following articles be printed in the RECORD.

The articles follow:

[From the Honolulu Advertiser, Sept. 24, 1981]

#### WILLIAM NORWOOD DEAD—ACTIVE IN POLITICS FOR 30 YEARS

William R. Norwood, who played an active role in Hawaii's politics for three decades, died Tuesday night in St. Francis Hospital's hospice center. He was 72.

Norwood's death is a loss to many, for he combined intelligence with compassion in his work that covered a range of professions, including newspaper reporter, public relations executive, political campaigner, government administrator, high commissioner of the Trust Territory of the Pacific Islands and businessman.

He was born in Seattle, where he received a B.A. in journalism from the University of Washington in 1932. Two years later, he came to Kauai to visit a friend and soon got a job as reporter for the Honolulu Star-Bulletin.

He covered the police beat, labor and politics, and helped form the local unit of the American Newspaper Guild, serving as its first president in 1937.

As a labor reporter, Norwood covered the interisland shipping strike in the 1930s and friends remember that he would go offport to ships, while working as a reporter, and collect money from crewmen for their striking associates on shore. Norwood recalled later, "It was not the action of an objective reporter, but at the time, it was the only humane thing to do."

In 1941, he started public relations work with Castle & Cooke, becoming the department's director in 1949.

During World War II, he also worked as a censor for the U.S. Army, overseeing the Star-Bulletin and two Japanese-language newspapers (Hawaii Hochi and Nippu Jiji) and at night broadcast news for the Matson Navigation Co. At this time, he met John A. Burns, then head of the Honolulu Police Department vice squad.

Their friendship continued after the war, when Norwood got involved with the formation of the Democratic Party in Hawaii. In the 1950s, Norwood planned Burns' campaigns for delegate to the U.S. Congress and the state governorship and Daniel Inouye's successful bid for the U.S. Senate.

When Burns was finally elected governor in 1962, Norwood became his state administrative director, or "right-hand man." He worked out of Iolani Palace until 1966, when he was named high commissioner of the Trust Territory of the Pacific Islands—a position he held until 1969, resigning when Richard Nixon became president.

He then became senior vice president of the Pacific division of Honolulu's Black Construction Co. on Guam, later retiring with his wife to his Mokuieia beach house on Oahu's North Shore.

During the 1950s and early '60s, he also served as a member of the city Planning Commission and as chairman of the Territorial Labor and Industrial Relations Appeal Board. He was a director of Friends of the East-West Center, the Hawaii Historical Society and the Better Business Bureau and chairman of the board for central branch, YMCA, and most recently was on the board of the Hawaii Community Development Authority.

Norwood's service as high commissioner of the Trust Territory was praised by the Oahu Micronesian Student Club, which called him an "American with a Micronesian heart." Stewart Udall, then secretary of the interior, said Norwood was "outstanding" as commissioner.

"Norwood without a doubt did more for the Micronesians than all the military brass and past high commissioners did since we assumed the U.N. trusteeship in 1947," Wayne A. Butterbaugh, advertising executive, wrote to The Advertiser in 1969.

"From the moment he stepped in the door (as commissioner), Norwood . . . tried to substitute Hawaiian informality for pompousness and efficiency for paper shuffling," wrote Bob Krauss, Advertiser columnist.

When Norwood was selected as commissioner, Ed Sheehan, an Advertiser columnist, wrote, "When you start talking about Bill, you discover that everyone who knows him likes and respects him very much, from pineapple pickers to Pacific Clubbers."

Perhaps the best words about Norwood are his own, when he spoke to Sheehan about his political experience.

"You can't be afraid of change, or taking chances. Years back I used to resent the fact that so many newcomers to Hawaii would arrive and sniff the political air to find out where it was safest to be. Even now, too many people in both business and government suffer from a Security Complex. There's a reluctance to move—a fear that it will be lost or taken away."

Mr. Norwood is survived by his wife, Katharine F.; son, William F. of Kailua-Kona; daughter, Mrs. Robert (Elizabeth) Hemings; sister, Mrs. Arthur (Virginia) Barnett of Washington state; and six grandchildren.

Services are pending. Arrangements by Williams Mortuary.

The family asks that flowers be omitted. Contributions may be made to the local chapter of the American Cancer Society.

[Editorial from the Honolulu Advertiser, Sept. 24, 1981]

BILL NORWOOD

William R. Norwood, who died Tuesday at age 72, was an important yet notably gentle figure in Hawaii journalism, public relations, and in public service here and in the Trust Territory.

He was a man who combined quiet accomplishment, a compassionate liberalism and integrity to unusual degree in a career that spanned four decades of often-dramatic history in the Islands.

In the 1930s, Seattle-born Bill Norwood was best known as labor reporter for the Honolulu Star-Bulletin. It was a time when labor was struggling to gain a foothold here in battles with the then-dominant Big Five.

Although he helped form the first newspaper guild unit here, Norwood was respected by both sides.

In fact, in 1941 he switched to public relations work for one of those leading firms, Castle & Cooke. There he was a notable exception, a Democrat at a time when the Big Five was almost synonymous with Republican domination of elective offices.

In wartime years, Norwood became a close friend and political associate of Police Captain John A. Burns, who emerged as the central figure in the 1950s Democratic revolution and Hawaii's Delegate to Congress at the time of Statehood.

When Burns became Governor in 1962, Norwood went to Iolani Palace as his administrative director, again working behind the scenes in what was a period of major change.

President Johnson named Norwood High Commissioner of the Trust Territory in 1966, thereby strengthening Hawaii's ties with those islands.

Bill Norwood brought his own brand of aloha and empathy to that difficult job, and over the next three years he became perhaps the most popular American with the Micronesians to serve in the commissioner's position.

Over the years before and since, Bill Norwood served Hawaii in a variety of other ways, from positions on several planning bodies to work with such organizations as the YMCA.

In the process of his long career, then, he was quiet, unassuming and effective, moderate yet liberal when liberalism was needed to make Hawaii and Micronesia better places for people to live.●

#### THE ST. LOUIS-BUILT F/A-18 HORNET

(By request of Mr. BAKER the following statement was ordered to be printed in the RECORD:)

● Mr. DANFORTH. Mr. President, I was very pleased to see that for the second time in 18 months, the St. Louis-built F/A-18 Hornet has emerged victorious in international competition.

The Australian Government's recent decision to modernize its fighting forces with 75 Hornets speaks highly not only of the aircraft but also of the thousands of people in the St. Louis metropolitan area who build it.

I ask that an article appearing in the October 21, 1981, issue of the Wall Street Journal and an editorial in the October 22, 1981, issue of the St. Louis Globe-Democrat be printed in the RECORD.

The material follows:

[From the Wall Street Journal, Oct. 21, 1981]

**AUSTRALIAN PURCHASE OF McDONNELL JETS  
SOLIDIFIES THE F18 PROGRAM, ANALYSTS  
SAY**

(By David P. Garino)

For the second time in 18 months, McDonnell Douglas Corp.'s F/A18 Hornet has outmaneuvered General Dynamics Corp.'s F16 Falcon fighter plane in international competition.

The Australian government picked the Hornet over the Falcon, agreeing to buy 75 planes at a price tag, in August 1981 dollars, equivalent to \$2.79 billion.

Last April, the Canadian government also chose the F18 over the F16, ordering 138 fighters.

General Electric Co. will supply 175 engines, including spares, for Australian's twin-jet fighters. It placed the value of its contract at \$285 million. Other subcontractors are Hughes Aircraft Co., which will make the radar system, and Northrop Corp.

In announcing the decision, Australian Defense Minister D. J. Killen cited the versatility and advanced technology of the F18, which replaces an aging fleet of French Mirage fighters.

Following the pattern of recent fighter awards, McDonnell Douglas and its subcontractors will provide some work for Australian industry. Mr. Killen said, "the added value of the offset work is to be 30% of the imported cost of the program and there will be compensation provisions if the U.S. contractors fail to honor their commitments."

The victory's import goes far beyond the dollars-and-cents of the Australian order, analysts agreed. Alan Benasull, a vice president at Drexel Burnham Lambert, Inc., observed that the order "obviously helps the company, but it should solidify the F18 program itself."

The F18 has come under heavy fire from several congressional quarters for increased costs and performance problems. Last week, for instance, Sen. Mark Hatfield (R., Ore.) proposed that the program be canceled. The Navy has indicated it wants to buy 1,377 McDonnell Douglas F18s.

Wolfgang Demisch, an analyst at Morgan Stanley & Co., said, "the good news for the company is that two outsiders have decided that the F18 is more cost effective for their needs, warts and all."

Mr. Killen, the Australian defense minister, said "the aerodynamic problems evidenced in the F/A18 have been satisfactorily resolved." He added that "modifications . . . aren't expected to be costly."

Commented Donald Spindel, an analyst at A. G. Edwards & Sons, Inc., "with both Canada and Australia dependent on the F18, it'd be very difficult, if not impossible, for Congress to scrap the program." Mr. Benasull predicted, "the F18 is here to stay."

Analysts also observed that the win was a bigger must for McDonnell Douglas than for General Dynamics. Both aerospace concerns are headquartered in St. Louis. Mr. Demisch observed, "while I'm sure there isn't any champagne being poured in GD's executive suite, I don't think anyone is slashing his wrists." The analyst added that the F16 has won orders from several foreign countries.

A General Dynamics spokesman issued a brief statement: "We are disappointed. It is apparent the Australian Air Force believes the F18 better meets its unique requirements. In any event we hope the Australian F18 program is successful."

Not surprisingly, a McDonnell Douglas spokesman said, "we are, of course, pleased. . . ." He reported that the order would result in 1,100 jobs at the St. Louis

plant. McDonnell Douglas employs more than 30,000 at its corporate headquarters.

The Australian planes, which will be delivered between 1984 and 1990, "won't have a near-term impact on earnings," Mr. Demisch emphasized.

While the order is "a nice piece of change," the company said that the St. Louis plant, which makes military aircraft, "makes money," while the Long Beach, Calif., facility, which generally manufactures commercial planes, continues to be a drain on earnings, he said.

A proposed cutback in the defense budget threatens to intensify Long Beach's problems. The Reagan administration is eliminating funding for eight KC10s, the military adaptation of the McDonnell Douglas commercial jet, the DC10.

Even the St. Louis plant hasn't been spared the ax in the proposed fiscal 1982 budget. The Defense Department wants to trim the number of McDonnell Douglas F15s to 30 from 42.

Yesterday McDonnell Douglas shares rose \$1.625 a share to \$30.25, on the New York Stock Exchange composite tape. General Electric was \$55.125, unchanged, and Northrop shares declined 12½ cents, to \$45.25 a share.

[From the St. Louis Globe-Democrat,  
Oct. 22, 1981]

**HORNETS FLYING HIGH DOWN UNDER**

Do the Australians know something that certain Americans don't? It would appear that way in view of Australia's decision to buy 75 F-18 Hornet fighter-bombers to modernize its air force. Although the Hornets are flying high down under, their reception hasn't been altogether favorable at home. The McDonnell Douglas aircraft has received, on some occasions, unwarranted criticism instead of the unstinting praise it so clearly deserves.

The Hornets, scheduled to be delivered over a 10-year period, beginning in late 1984, will replace the Australian Air Force's aging French-made Mirage fighters. The F-18s were chosen over the General Dynamics F-16 Fighting Falcon, the only other aircraft under consideration by the Australian Defense Department.

The purchase marks the F-18's second straight foreign-sales victory in flyoffs against the F-16. Last year, Canada ordered 137 Hornets for delivery between 1982 and 1989. Both governments said the F-18 was better suited to their needs than its closest competitor.

These solid votes of confidence should shoot down arguments by House and Senate liberals who have questioned the worth of the F-18 and its place in the American defense arsenal. The Hornet's place is undeniable.

The F-18 is truly the plane of the future and there's no time like the present to acknowledge that. In the words of Missouri Republican Sen. John C. Danforth, "The Hornet happens to be the only plane in the world with a fully integrated, all-weather air-to-air and air-to-ground system."

Danforth predicts that a proposal to kill the F-18 program will fizzle because it's based on false premises. The U.S. Navy and the Marine Corps have expressed intentions to buy 1,377 Hornets.

The senator appears to be on solid ground. The Hornet has passed its tests with flying colors and continues to impress those who work with it—on the ground and in the air. The arguments against the F-18 pale in comparison to those for it.

St. Louisans have good reason to be proud of McDonnell Douglas Corp. for the excellent quality of aircraft that it has produced and continues to produce, and for the role this plays in helping to upgrade America's national defense. It is important that every effort be made to keep the high-flying Hornet flying high. ●

**INTERNATIONAL YEAR OF  
DISABLED PERSONS**

● Mr. WEICKER. Mr. President, although these have been a challenging, even a trying, first 10 months of this session for those of us on the Subcommittee on the Handicapped, I consider myself most fortunate to have become its chairman during this, the International Year of Disabled Persons (IYDP) at a time when Congress, the Nation, and the world community at large are being called upon to become more aware of the needs, aspirations, and abilities of the estimated 500 million disabled people throughout the globe today.

During this year of budget slashing, when so many programs for disabled Americans were scheduled to be drastically cut back or completely eliminated, the U.N.'s declaration and observance of 1981 as the Year of the Disabled helped serve to remind many of us in the Senate of the vital role the disabled have to play in our society, and to further strengthen our resolve to work to preserve those programs and services which are, in turn, so vital to their development.

Margaret Mead once observed that one of the best ways to judge a society is to see how it cares for its disabled members. While this was certainly true up to very recently, I think that Dr. Mead would have agreed with me that, in the 1980's and beyond, the correct criteria to judge a society by in this regard is not in the way that it cares for individuals with disabilities, but in the way it assists such individuals to become independent and productive members of that society.

This, then, is the significance of International Year of Disabled Persons. IYDP should not be viewed merely as a 12-month observance period. Rather, it should be more properly viewed as the opening of a new era in terms of the way we perceive disabled people. And, I am pleased to be able to report that this is the exact tack which the U.S. Council for the International Year of Disabled Persons has taken. By adopting as its basic modus operandi the theme "Meeting the challenges through partnerships" the U.S. Council is insuring that the work which is initiated this year will continue on well into the future. The problems faced by America's estimated 36 million disabled citizens are particularly complex ones and so, too, are their eventual solutions. If they are to be adequately addressed at all, then, they must be dealt with in the type of comprehensive approach which the U.S. Council has initiated here.

I am especially pleased and heartened by the Council's work with the private

sector in the country. Business and industry need to be made full fledged partners in the effort to assist disabled Americans into the mainstream of our society. As President Reagan observed last February in his proclamation declaring 1981 as the International Year of Disabled Persons, the "disabled represent one of our most underutilized national resources." They will likely continue to remain so until the business community recognizes, in the words of a recent IBM public service advertisement, that the disabled worker is "as capable as other workers, as reliable, as ambitious, and just as likely to succeed."

Considerable progress has already been made in this regard. Corporations such as IBM have taken the initiative and are finding innovative and cost effective ways of eliminating architectural, transportation and employment barriers, which have for far too long stood in the way of disabled Americans, keeping them from taking their rightful place in our Nation's work force. Such firms are finding out for themselves just how true the IBM P.S.A. rings; and I am wholly confident that once other firms learn of the many benefits that come from employing physically and mentally disabled workers that they too, will be recruiting more and more such workers as time goes on.

The private sector cannot be expected to do the whole job itself, however. The problems of the disabled are just too complex to expect one sector of our society to solve alone. As the resolution of the distinguished Senator from Kansas recognizes, the Federal Government also has a special role to play in promoting the integration of the disabled into the mainstream. Just as it is wrong to assume that any one sector of society can solve all of the problems facing the disabled, it is wrong to assume that any one branch of the Federal Government has all of the answers to these problems.

In adopting this resolution directing the President to implement the goals and objectives of the International Year of the Disabled Person, we should not allow ourselves to believe for a single second that our responsibility to strive toward those same goals and objectives has in any way been reduced. In declaring 1981 as the International Year of the Disabled Person, the United Nations set forth the following goals and objectives to be achieved throughout the world:

#### UNITED STATES MISSION

The mission is to promote the full participation in the life of our society of America's citizens with physical or mental disabilities. Building on the progress of the past decade, we will work together with private and governmental organizations to strengthen public understanding of the still unmet needs and potential contribution of these 35 million people. We will foster the partnership of Americans from all walks of life in furthering the following long-term national goals of and for citizens with disabilities.

Expanded Educational Opportunity;  
Improved Access to Housing, Buildings and Transportation;  
Greater Opportunity for Employment;  
Greater Participation in Recreational, Social and Cultural Activities;

Expanded and Strengthened Rehabilitation Programs and Facilities;

Purposeful Application of Biomedical Research Aimed at Conquering Major Disabling Conditions;

Reduction in the Incidence of Disability Through Accident and Disease Prevention;  
Increased Application of Technology to Ameliorate the Effects of Disability; and  
Expanded International Exchange of Information and Experience to Benefit All Disabled Persons.

(Adopted by the U.S. Council for IYDP and the United States Government's Federal Interagency Committee for IYDP.)

Congress, as that body which establishes national policy, has a role to play to insure that each of these nine goals and objectives are achieved both here in the United States and, to the maximum extent feasible, in the world community at large. The Congress, in fact, has a very special role in expanding educational opportunities, increasing access and strengthening rehabilitation programs and services.

Congress has after all been the one which has taken the initiative in each of these areas and passed such landmark legislation as the Education for All Handicapped Children Act, the Rehabilitation, Comprehensive Services and Developmental Disabilities Act of 1978, and the Architectural Barriers Act of 1968. In adopting Senator DOLE's resolution, it is imperative that we each take this opportunity to recommit ourselves to the goal of enabling the estimated 36 million disabled Americans to enter the mainstream and live happy, productive lives, for as the President observed in his February proclamation:

All of us stand to gain when those who are disabled share in America's opportunities. ●

#### CONCLUSION OF MORNING BUSINESS

The ACTING PRESIDENT pro tempore. The time for morning business having expired, morning business is closed.

#### STANDBY PETROLEUM ALLOCATION ACT OF 1981

Mr. McCLURE. Mr. President, what is the pending business?

The ACTING PRESIDENT pro tempore. Under the previous order, the Senate will now resume consideration of S. 1503, which the clerk will report.

The bill clerk read as follows:

A bill (S. 1503) to authorize the President to allocate supplies of crude oil and petroleum products during a severe petroleum supply shortage.

Mr. McCLURE. I yield to the Senator from Washington.

Mr. JACKSON. Mr. President, I am strongly in support of S. 1503, the Standby Petroleum Allocation Act of 1981. Senator McCLURE, the chairman of the Committee on Energy and Natural Resources, is to be congratulated for his leadership in the shaping of this bill. It is a good bill, one that has broad, bipartisan sup-

port in the committee. It should receive the overwhelming support of the Senate.

It is absolutely essential that the President have the authority to act in the public interest during a severe disruption in petroleum markets. Such disruptions are virtually certain to occur during the 1980's. This was the conclusion of the Geopolitics of Oil study prepared for the Committee on Energy and Natural Resources when I was its chairman. On the eve of the expiration of the Emergency Petroleum Allocation Act the General Accounting Office published a two-volume report which reaches the same conclusion. The recent tragic events in Egypt only underline the insecurity which plagues the regions of the world where so much of our imported oil is produced.

The economic impact of severe oil supply disruptions creates major international problems which should be addressed through coordinated efforts of all energy-consuming nations. This kind of coordination cannot be achieved if the Government of the world's largest oil importer, the United States, is unable to manage its own petroleum use during a disruption.

The United States must be prepared to implement a national response to disruptions in world oil markets. Only the Federal Government can organize such a response. To leave this job to the major oil companies, to the States or to that great abstraction known as the market would be nothing less than a total negation of the role of government. This is precisely the signal we would send to our own citizens, to other oil-consuming nations and to OPEC if we fail to provide the U.S. Government with the authority necessary to implement an effective and aggressive response to oil supply disruptions.

The bill before the Senate today provides the President with the authority he would need to fashion such a response. The potential reach of this authority is every bit as broad as the law we are replacing, the Emergency Petroleum Allocation Act of 1973. However, the structure is quite different:

Where the EPAA mandated the imposition of a comprehensive regulatory scheme, S. 1503 would authorize the President, in his discretion, to deal with petroleum shortages in a sequential manner, tailoring the Federal response to the severity of the disruption.

Where the EPAA required the establishment of a regulatory scheme that could only be removed with congressional acquiescence, S. 1503 provides for automatic termination of the effectiveness of any regulatory scheme after 90 days.

Where EPAA contained significant detail with respect to the pricing of petroleum, S. 1503 authorizes the President to include provisions addressing pricing in his allocation program only to the extent the President finds that such provisions are necessary to achieve the objectives of the program. The committee fully expects that any price limita-

tions established would provide firms engaged in the sale of petroleum with fair margins.

Mr. President, S. 1503 reflects our experience with petroleum supply disruptions and the regulation of the petroleum industry since 1973. It provides an appropriately flexible authority that the President genuinely needs. If he does not now welcome or appreciate this authority, I can guarantee that he will be glad he has it when the next upheaval in world oil markets occurs. I urge the Senate to adopt S. 1503 so that the gap in the President's authority to deal with these matters which has existed since the EPAA expired can be closed.

Mr. McCURE addressed the Chair.

The PRESIDING OFFICER (Mr. D'AMATO). The Senator from Idaho.

Mr. McCURE. Mr. President, S. 1503, the Standby Petroleum Allocation Act of 1981, would grant the President limited and temporary authority to allocate domestic supplies of crude oil, residual fuel oil, and refined petroleum products under certain specified circumstances in order to minimize the adverse impacts of a petroleum supply shortage on the American people and the domestic economy.

Given the current instability in the Middle East, it is imperative that we empower the President with sufficient authority to deal with any energy emergency that may confront him in the future. If we do not act, we would send the wrong signal to our allies as well as our adversaries.

We must give the President basic, general authority to deal with this problem if the crisis comes. Events are too uncertain in this unstable world for us to devise a precise statutory scheme, in advance of a crisis, which would deal with all the equities and inequities that would accompany a shortage. Therefore, it is essential that we now give the President the broad authority that will be necessary for him to deal with that unknown energy supply scenario that will undoubtedly occur in the future if another oil supply cutoff should occur.

Addressing the question of whether the United States is prepared to deal with oil import disruptions, the General Accounting Office recently concluded in its report dated September 29, 1981, that "with the exception of the recent buildup of the Strategic Petroleum Reserve, the United States is no better prepared to deal with significant disruptions in oil imports than it was during the 1973 oil embargo." The GAO added that "oil import disruptions—such as the 1973 oil embargo and the 1979 Iranian shortfall—pose a significant threat to national security, and the lack of effective contingency planning and program development to date is serious and requires immediate attention." (Rept. EMD-81-117.)

With the expiration of the Emergency Petroleum Allocation Act (EPAA) on September 30, 1981, the Federal Government no longer has basic authority to

deal with severe domestic shortages of crude oil, residual fuel oil, and refined petroleum products. Furthermore, the adequacy of the President's authority to implement a standby emergency petroleum allocation and pricing program in the event of a severe petroleum supply shortage has been called into question.

In my judgment, that remaining authority is inadequate to the task. My conclusion is consistent with the results of several legal analyses that were submitted to the Committee on Energy and Natural Resources during its consideration of S. 1503. Those analyses included reviews of the relevant provisions in the various Federal laws, other than the EPAA, that grant to the President limited authority to allocate petroleum supplies under certain defined circumstances.

Among the statutes reviewed were the Energy Policy and Conservation Act of 1975 (EPCA), the Defense Production Act (DPA), the International Emergency Economic Powers Act (IEEPA), the Emergency Energy Conservation Act of 1979 (EECA), the National Emergencies Act, and the Trade Expansion Act of 1962, as amended (TEA). None of these Federal statutes provides the President with sufficiently broad authority to implement an oil allocation program on a national or regional basis after the EPAA expires.

A legal memorandum prepared by the Department of Energy and reviewed by the Department of Justice (which appears in the committee's report on S. 1503) concludes that section 251 of the Energy Policy and Conservation Act (EPCA) authorizes the President to allocate crude oil among domestic oil companies if he deems such action necessary to enable the United States to meet its international allocation obligations under the Agreement on an International Energy Program (IEP). However, the Department of Energy found that such authority does not encompass comprehensive petroleum price and allocation controls of the type initiated under the Emergency Petroleum Allocation Act (EPAA).

In July of this year, W. Kenneth Davis, Deputy Secretary of the Department of Energy, testified before the Committee on Energy and Natural Resources on behalf of the administration. He stated that the administration opposed enactment of new emergency petroleum allocation legislation. Nevertheless, he also acknowledged that after the EPAA expired, the President would not have any comprehensive petroleum price and allocation authority similar to that provided by S. 1503.

Mr. President, the President's ability to act under existing law is sufficiently ambiguous to constrain his possible actions and render them inadequate to the task. The choice is between the current situation, which consists of ambiguous and possibly inadequate existing authorities, and the clear, definitive congressional delegation of authority provided by S. 1503, which consists of spe-

cific standby authority to deal with petroleum supply interruptions.

Central to the committee's decision to support S. 1503 was our determination that it is better for us to legislate now, at a time when we are not involved in a crisis and can act somewhat dispassionately, than to wait and find ourselves legislating in the midst of a crisis, as was the case when the EPAA was enacted.

If a serious shortage should occur, it is a virtual certainty that the Congress and the executive branch will be besieged with demands for relief. In such a crisis atmosphere it would be far more difficult for the Congress to make sound decisions. A much more preferable approach would be for the Congress to enact S. 1503, which provides the necessary standby authority to deal with periods of inadequate oil supplies. S. 1503 would provide a clear, predictable, and unambiguous standby authority in terms of allocation and necessarily related margin or nondiscriminatory pricing.

Simply stated, in the event of a serious disruption in available imported energy supplies, primary reliance should be on market mechanisms, but this must be backed up by broad, clear Presidential authority to intervene in the market on either a regional or national basis when the marketplace mechanism cannot function adequately or allocates essential supplies too slowly.

This position is supported by testimony before the Committee on Energy and Natural Resources from major oil companies, independent refiners, independent marketers, labor unions, consumers, and energy analysts. But more importantly, the consensus was that first, the EPAA should be replaced with broad standby authority that would enable the President to tailor any price and allocation controls to deal with the specific shortage when it occurs; and second, such authority should be accompanied by an automatic sunset provision designed to limit market intervention to the period during which the crisis is in effect. These two conditions are satisfied by S. 1503. Primarily for these reasons, Mr. President, enactment of S. 1503 is supported by the following organizations:

ORGANIZATIONS THAT HAVE INDICATED THEIR SUPPORT FOR S. 1503

AGRICULTURE AND FOOD

- American Bakers Association.
- American Feed Manufacturers Association, Inc.
- American Frozen Food Institute.
- American Meat Institute.
- American Soybean Association.
- Chocolate Manufacturers Assn.
- Corn Refiners Association.
- Food Marketing Institute.
- Grain Terminal Association.
- International Apple Institute.
- International Association of Ice Cream Manufacturers.
- Milk Industry Foundation.
- National Association of State Departments of Agriculture.
- National Association of Wheat Growers.
- National Cattlemen's Association.
- National Cotton Council.



National Council of Farmer Cooperatives.  
National Farmers Organization.  
National Farmers Union.  
National Food Brokers Association.  
National Food Processors Association.  
National Frozen Food Association.  
National Grain and Feed Association.  
National Grange.  
National Milk Producers Federation.  
The Fertilizer Institute.  
United Fresh Fruit and Vegetable Association.

U.S. Cane Sugar Refiners Association.

INDEPENDENT REFINERS

American Petroleum Refiners Association.  
Committee for Equitable Access to Crude Oil.

Independent Refiners Assoc. of America.

OIL MARKETERS AND DISTRIBUTORS

Empire State Petroleum Association, Inc.  
Independent Fuel Terminal Operators Association.

Independent Gasoline Marketers Council.  
National Oil Jobbers Council.  
New England Fuel Institute.  
Society of Independent Gasoline Marketers of America.

Mr. President, with the expiration of the Emergency Petroleum Allocation Act, we cannot responsibly be dependent on anything less than full preparation.

That preparation must be based upon five principles that are reflected in S. 1503. First, maximum reliance should be placed on marketplace mechanisms to handle petroleum supply emergencies. Use of the authority in S. 1503 is limited to a severe petroleum supply shortage, which is defined as a national or regional shortage of significant scope and duration as a result of an interruption of imported petroleum that is not reasonably manageable by reliance on free market pricing and allocation. Should Federal action become necessary to supplement the market mechanisms, S. 1503 would insure that the administration is fully prepared to take the necessary actions.

Second, a major disruption in imported petroleum supplies is a national problem that demands a coordinated national response. If the Federal Government were to fail to provide that coordination, State and local governments would soon feel compelled to address any shortage themselves. This possibility already exists.

The States have reacted to the possibility of an energy emergency with a wide range of responses: 39 States have granted some form of specific authority to the Governor, ranging from a reference to energy within the definition of "disaster" by 10 States to specific energy emergency powers by 19 States. Moreover, about 20 State legislatures are currently examining proposals to extend, amend or broaden the powers of their Governors in the event of an "energy emergency." These combined State activities will vest in the Governors substantial power to intervene in the marketplace during an energy crisis.

When the EPAA was in force, State programs in conflict with the Federal program were preempted. However, with the expiration of EPAA, the individual State laws can now be utilized during an energy emergency without re-

gard for regional or national interests. This uncoordinated hodgepodge of often conflicting State and local laws, if activated in response to a national oil supply shortage, could significantly disrupt commerce and exacerbate the adverse effects of the shortage. This is not just a remote possibility. It is a virtual certainty if a serious shortage should occur.

Thus, S. 1503 provides for preemption of any State or local program regarding allocation or pricing of petroleum which is in conflict with the standby Federal regulation or any order issued under S. 1503. However, if the Federal allocation program is activated, it must provide for a State set-aside program in each State to which the Federal program applies.

Moreover, the President would be authorized to delegate to any State any of his authority to implement the Federal program.

The third major principle reflected in S. 1503 is that in order to maintain public confidence, there must be a clear Federal commitment supported by the necessary legal authority and administrative capability to take decisive Federal action if a severe oil supply interruption requires action beyond responsible reliance on the marketplace.

If U.S. oil imports were seriously disrupted and no Federal allocation program were available for implementation, the public's lack of confidence in the marketplace might well be displayed by the hoarding of supplies. For example, during previous disruptions, large numbers of motorists routinely topped off their tanks, and many corporations installed and filled new storage capacity. Since such actions aggravate supply shortages and produce accelerated price increases, they are extremely detrimental and should be discouraged to the maximum possible extent during a period of severe shortage.

Fourth, if a very severe disruption should occur, the marketplace may not respond quickly enough in maintaining adequate supplies for certain critical needs. In particular circumstances, Government intervention may be essential as the only means for preventing or limiting severe economic hardship or damage.

For example, if such a severe shortage occurred during the peak of planting or harvesting, in the absence of S. 1503, agricultural operations might simply have to be reduced or deferred until adequate supplies again become available. A severe shortage thus could cause a reduction in—or outright termination of—essential farming operations.

Both this concern and concern for the needs of other potential priority users are reflected in S. 1503, which would require administration of the standby regulation, if implemented, to reflect the needs of specified users depending on the nature of the shortage. The bill would permit the President to tailor the Federal response to the scope, impact, and duration of the shortage.

Finally, S. 1503 would insure that the International Energy Agency is continued as the principal international mechanism to deal with oil supply emergencies, as well as other critical energy issues. S. 1503 would assure that the United States have in place a sound and effective domestic program for allocating petroleum supplies to meet our obligations under the international energy program.

Mr. President, as a final point, I emphasize that S. 1503 reflects a compromise. The importance of the bill is derived from the absolute necessity for some type of compromise on the issue of how best to deal with an oil shortage. The compromise can be described in this way.

A number of Senators have concluded that the history of Federal intervention in the petroleum marketplace since 1973 strongly suggests that such intervention should never be permitted to recur. Other Senators, including this Senator, have concluded that if a severe petroleum supply shortage should occur, the free market would not function adequately in allocating supplies in certain circumstances, and the Congress eventually would be compelled to authorize Government intervention.

S. 1503 represents an attempt to reconcile these totally divergent assessments of the proper Government role. Accordingly, the bill would place primary reliance on the free market as the allocation mechanism during a shortage; however, the bill would also authorize Federal intervention, but only to the extent necessary and only for a limited period of time.

Another example of the balancing process in S. 1503 involved the Federal oil sharing—buy-sell—program. If Federal intervention occurred, such a program would be optional, but if it were implemented, it would be required to meet specified criteria.

In short, S. 1503 would establish a middle ground between no Federal intervention in the marketplace and a comprehensive Federal allocation program. The compelling need for such a reconciliation is also the measure of the need for the legislation.

Mr. President, I ask unanimous consent that a summary of S. 1503, the Standby Petroleum Allocation Act of 1981, appear at this point in my remarks.

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

S. 1503, THE STANDBY PETROLEUM ALLOCATION ACT OF 1981

The purpose of S. 1503, as reported by the Committee on Energy and Natural Resources, is to grant the President limited and temporary authority to allocate supplies of crude oil, residual fuel oil and refined petroleum products under certain specified circumstances. Such authority would be exercised for the purpose of minimizing the adverse impacts of a petroleum supply shortage on the American people and the domestic economy. The major provisions of S. 1503 are:

(1) Within 90 days of enactment, the President could be required to promulgate a general standby regulation for the mandatory allocation of crude oil, residual fuel oil, and any refined petroleum product. The regulation may include limitations on the price of allocated supplies only if the President finds that such limitations are necessary to achieve the objectives of the allocation program. The limitations may include provisions restricting discriminatory pricing. The standby regulation also would include an optional standby program for limited sales of crude oil among domestic refiners. If the President chooses to implement a crude oil sharing program, the program must be designed in accordance with the provisions of S. 1503.

(2) The President would be authorized to implement the standby regulation only if he finds that (a) a "severe petroleum supply shortage" exists or is imminent or (b) action is required to meet obligations under the International Energy Program.

In the event of a "severe petroleum shortage" the President must determine (a) that a national or regional shortage of significant scope and duration exists or is likely to occur as a result of an interruption of imported petroleum and (b) that the shortage is not reasonably manageable by reliance on free market pricing and allocation, or under other authorities available to the President. The regulation could be implemented for up to 90 days after the President transmits the message within 15 calendar days of continuous session. The President's message to the Congress would be accompanied by an analysis of the circumstances which require him to take action, a description of the actions he intends to take, and any additional amendments to the standby regulation necessary to meet the immediate emergency. One extension for up to 60 days would be authorized without resubmission to the Congress.

If the President finds that implementation of the standby regulation is required to meet obligations of the United States under the International Energy Program, he could initiate a domestic allocation program without prior Congressional approval.

(3) It is intended that implementation of the standby regulation would, depending on the scope, duration, and extent of the impact of the shortage, be tailored to the specific statewide, regional, or national shortage. In other words the President may choose to implement only certain selected provisions of the standby regulation, or the full regulation. Administration of the standby regulation must, to the maximum extent practicable, provide for certain objectives drawn from section 4(b)(1) of the Emergency Petroleum Allocation Act of 1973. Should implementation of the standby regulation provide for the allocation of residual fuel oil or any refined petroleum product, the Federal program also must provide for a State set-aside program for that product in any state in which the Federal program is activated.

(4) Provision is made for preemption of any State or local program regarding allocation or pricing of petroleum which is in conflict with the standby Federal regulation or any order issued under S. 1503. However, the President would be authorized to delegate to any State any of his authority to implement the Federal program.

(5) The authorities of S. 1503 would expire on January 1, 1985.

Mr. McCLURE. Mr. President, the argument has been made by several Sen-

ators that S. 1503, as reported by the committee, comes too close to mandating a complex Federal program such as the one imposed by the EPAA. Certain industry groups have concurred in that assessment, and they point out that S. 1503 incorporates verbatim the list of objectives contained in section 4(b)(1) of the EPAA, and that S. 1503 also contains a crude-oil-sharing, or a "buy-sell" program.

Mr. President, the contention that S. 1503 is virtually a "clone of EPAA" is totally erroneous, however. That becomes evident from a careful comparison of the actual language of the reported bill with the provisions of the EPAA. Furthermore, S. 1503 reflects certain fundamental concepts that are totally different from those that produced the EPAA.

During the hearings on standby oil controls that were held earlier this year, the committee was told by most of the witnesses that the EPAA should not be extended beyond its expiration date of September 30, 1981. The committee members agreed, and I can assure my colleagues that S. 1503 is not a mere extension of the EPAA as alleged.

Let us first examine what S. 1503 would actually do, and compare that to what occurred under the EPAA. The most significant feature of S. 1503 is illustrated by its title, the "Standby Petroleum Allocation Act of 1981." The bill would create a standby program, one that would not be activated unless a severe emergency occurred. Prior to such an event, there would be no Federal intervention in the marketplace. There would be no allocation, no price controls, nor any effect on the market whatsoever.

The EPAA, on the other hand, required the President within 15 days of enactment to establish mandatory allocation and pricing rules. In essence, under the EPAA a massive and complex Federal program was implemented, and it remained with us for 7 years, during periods when we had shortages, and when we did not.

Under S. 1503, the standby Federal program would not be activated unless an actual shortage existed or was imminent, and unless the shortage was severe. If the shortage could be managed by reliance on the free market, then the Federal program would not be implemented. In short, S. 1503 is based on a concept of Federal intervention only as a last resort. The bill proposes what could be called a high trigger for Federal action. The EPAA had no trigger at all.

S. 1503 envisions a program of limited Federal allocation controls. Mandatory allocation of crude oil or petroleum products would occur only to the extent necessary. The standby regulation would reflect that policy. If the program were implemented, any subsequent regulations and orders would also reflect that policy. Thus, under S. 1503 partial controls could be implemented initially. In contrast, EPAA initially adopted the broad, comprehensive program that was already in existence for another purpose.

During the committee's consideration of S. 1503, a number of proposals and amendments were discussed and considered which would have identified new public and private interests, or sectors of industrial and economic activity, to the set of purposes and objectives of the standby allocation regulation. After careful consideration of these proposals, the committee instead adopted language taken from section 4(b)(1) of the Emergency Petroleum Allocation Act, as amended.

The committee's inclusion of certain EPAA language in S. 1503 must be considered in the context of the type of regulatory program proposed by S. 1503. The allocation objectives contained in section 4(a)(2) of S. 1503 are just that—they are objectives. They would be implemented only to the maximum extent practicable. Although the objectives are the same as those that were contained in the EPAA, they would not necessarily be implemented in the same way.

Rather, the language represents a workable set of objectives which the President should seek to satisfy insofar as available supplies of petroleum will permit, recognizing that many of the objectives are inherently contradictory. The President would have the flexibility to determine the most practical approach, after considering the particular circumstances surrounding the shortage, and recognizing his responsibility to minimize Federal intervention in the marketplace.

In adopting this language from EPAA, the committee did not intend to imply or indicate that the new standby regulation under S. 1503 be patterned after the regulatory program that evolved under EPAA. Quite the contrary. The fact that the administration opposed extending EPAA, and that the committee did not consider extending the act, speaks for itself. Further, the conditions today and the conditions under which EPAA was adopted in 1973 are vastly different.

An important difference between the EPAA and S. 1503 is the shift of the burden of proof required for changes in the scope of their regulatory coverage. When the EPAA was enacted, it automatically covered crude oil, residual fuel oil, and almost every refined petroleum product. Decontrol of certain products could be accomplished only by demonstrating to the Congress that such decontrol was appropriate. The concept reflected by S. 1503 is exactly the opposite. Controls under S. 1503 can be imposed only by demonstrating to Congress that such an action is necessary. The burden of proof would be on the proponent of Federal intervention in the market.

Another important difference between S. 1503 and the EPAA is the so-called sunset provision of S. 1503. Under that provision, the Federal allocation program could be operated only for 90 days, unless the President found that the program should be extended for an addi-

tional 60 days. At the end of the 150-day period, the program would terminate, unless the Congress approved a new finding by the President that the shortage continued to require Federal action. There was no comparable sunset provision in the EPAA.

As a final example of the major differences between the EPAA and the proposal before us, I point out that S. 1503 provides that price limitations may be imposed only if they are found by the President to be necessary for effective implementation of the allocation program. In other words, as a condition for imposing price controls, there would have to be a showing of a necessary linkage between the allocation mechanism and price controls. This contrasts sharply with the EPAA, which, in effect, ratified an existing price control system that had already been imposed under phase IV of the economic stabilization program. That price control system was not designed to correspond to a program for allocating crude oil and petroleum products; rather, it was designed to control inflation. Thus, the price control program under EPAA was not designed to work in tandem with the program for allocating petroleum. The pricing system was not conceptually linked to the allocation system. That fundamental flaw in the EPAA would not recur if S. 1503 were enacted into law.

Mr. President, the fundamental need for S. 1503, the Standby Petroleum Allocation Act of 1981, is derived from the fact that the United States has experienced several petroleum supply disruptions during the past decade and runs the substantial risk of future disruptions in international energy supplies.

#### BUDGET IMPACT OF S. 1503

Mr. President, the Committee on Energy and Natural Resources does not anticipate any significant budgetary impact from the enactment of S. 1503, the Standby Petroleum Allocation Act of 1981. I understand that this position is concurred in by the Budget Committee.

Therefore a budget waiver is not required.

S. 1503 would require the promulgation within 90 days of enactment of a general standby regulation. The regulation would be prepared by the Office of the Assistant Secretary for Environmental Protection, Safety, and Emergency Preparedness; and it is the committee's judgment that the related analyses and planning activities could be funded within available appropriations for fiscal year 1982.

In the event that the President invokes the authority of S. 1503 and implements part or all of the standby regulation, there could be a modest budgetary impact at that time. Most, if not all, of the Federal activities to support a limited allocation program would be conducted by existing civil service personnel on temporary assignment to supplement the Department of Energy emergency preparedness staff.

Mr. McCLURE. Mr. President, I also ask unanimous consent to have printed in the RECORD letters of support from the organizations I mentioned earlier.

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

#### AG ENERGY USERS CONFERENCE

OCTOBER 16, 1981.

HON. JAMES A. McCLURE,  
Chairman, Committee on Energy and Natural Resources, Dirksen Senate Office Building, Washington, D.C.

DEAR CHAIRMAN McCLURE: This letter is in support of S. 1503, the Standby Petroleum Allocation Act of 1981. The signatories represent virtually every sector of our nation's food system, including producers, processors, manufacturers, food brokers and distributors of food and fiber. As Americans realize, the health and economic prosperity of our country can, in large measure, be attributed to our strong food and fiber industry.

It must be pointed out that the U.S. food system is unlike other industries. The inter-related chain of events that begin with farm inputs and end at the table of the American consumer is dictated by nature's biological clock. The food system is one that is crucially time-sensitive, the point being that a disruption of any of the vital inputs, such as petroleum products, can and does threaten the entire process.

Adequate and timely supplies of petroleum products are essential to this system. Recent history has shown that crude oil disruptions have had a detrimental effect on the petroleum product supplies to the various sectors of the food chain.

We believe it is the proper role of the Federal Government to manage severe energy disruptions through the implementation of standby emergency regulations. We feel that S. 1503 will provide the President with the flexibility and discretionary authority he needs to offset the detrimental effects of severe petroleum shortages on the American public.

Further, we support the inclusion of responsible and proven priority classifications under S. 1503. The retention of the maintenance of agricultural operations as a statutory objective in any petroleum product allocation plan is certainly in our Nation's vital interest. To this end we urge that recognition be given to the need to include distribution and transportation of farm inputs and food to points of final purchase prior to consumption under the agricultural priority regulatory definition.

Thank you for your consideration.  
For further information contact:  
Gary D. Myers, Chairman, Agricultural Energy Users Conference, 861-4900.  
American Bakers Association.

American Feed Manufacturers Association, Inc.

American Frozen Food Institute.  
American Meat Institute.  
American Soybean Association.  
Chocolate Manufacturers Association.  
Corn Refiners Association.  
Food Marketing Institute.  
International Apple Institute.  
International Association of Ice Cream Manufacturers.

Milk Industry Foundation.  
National Association of State Departments of Agriculture.

National Association of Wheat Growers.  
National Cattlemen's Association.  
National Cotton Council.  
National Council of Farmers Cooperatives.  
National Farmers Organization.  
National Farmers Union.  
National Food Brokers Association.  
National Food Processors.  
National Frozen Food Association.  
National Grain and Feed Association.  
National Grange.  
National Milk Producers Federation.  
The Fertilizer Institute.

United Fresh Fruit and Vegetable Association.

U.S. Cane Sugar Refiners Association.

#### AMERICAN BAKERS ASSOCIATION, Washington, D.C., October 16, 1981.

HON. JAMES A. McCLURE,  
Chairman, Senate Energy and Natural Resources Committee, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR McCLURE: The American Bakers Association has distributed copies of the attached letter to all Members of the United States Senate in the hope that they will join with you in support of S. 1503.

As the attached letter states, we believe that the passage of S. 1503 is essential for the continued prosperity of our industry and the entire American economy.

We commend you and Members of your Committee for drafting and reporting this important legislation, and hope that it is favorably acted upon by the full Senate.

If we can be of any further help to you in this regard, please let us know.

Sincerely,

ROBERT J. WAGER,  
President.

#### AMERICAN BAKERS ASSOCIATION, Washington, D.C., October 19, 1981.

DEAR SENATOR: This week the Senate will consider S. 1503, a bill providing the President with discretionary powers to respond to a severe petroleum disruption, which was introduced by Senator McClure and overwhelmingly approved by the Senate Energy and Natural Resources Committee. As the tragic events in Egypt have underscored, we live in an uncertain world in which we can never afford to assume that an uninterrupted supply of imported oil will continue.

While the members of the American Bakers Association are appreciative of the Administration and Congressional efforts to reduce the burdens of regulation on business, we also recognize that some regulatory programs have served both the business community and general public well and deserve your continued support. In our view, one such exemplary program has been the emergency petroleum allocation authority. While critics have justifiably attacked some provisions of the recently-expired act, we believe that some of the concepts contained in EPAA deserve keeping. The McClure bill successfully sorts out these good provisions. The result is a fresh approach that provides for the continuation of some Presidential emergency authority without tying the President's hands or burdening the business community with regulation. S. 1503 deserves your strong support.

The American Bakers Association would like to believe that the "free market" can equitably distribute petroleum products to the marketplace. The fact of the matter is, however, that even without Federal intervention, it is unlikely that the marketplace will be permitted to operate freely during an energy emergency. As a recent American Petroleum Institute study illustrated, forty-nine states have their own emergency plans in some form of development of which twenty-one contain fuel distribution schemes. The states will undoubtedly exercise this authority in the absence of a Federal response to an emergency situation. The President's own Cabinet Council on Natural Resources and Environment has warned of this possibility in a memo to the President in which they suggest that without Federal authority, "states would be free to pass control laws of their own."

The Administration's response to these arguments has been that the President has other available authorities to deal with such developments. Yet in this same Cabinet memo, the Justice Department concluded that the President does not presently have

the ability within existing law to duplicate the comprehensive authorities available to the President when the Emergency Petroleum Allocation Act was still in effect.

This situation concerns our members, who as operators of the fourth largest trucking fleet in the nation and as producers and distributors of 80 percent of the commercially-baked bread and other baked foods, require a continued predictable and sufficient supply of fuel in order to survive. A sudden and severe energy shortage can only bring economic devastation to the baking industry and with it a critical national food shortage. Furthermore, the same consequences could occur in the absence of a Federal response if uncoordinated state programs are permitted to be implemented in response to a national or regional shortage of energy and interstate commerce is severely disrupted.

For these reasons, we urge your support of S. 1503, as amended. First, the bill neither unduly ties the President's hands nor does it encourage his intervention—the triggering mechanism is high enough to discourage its unnecessary use, yet within reach if it is required. Second, the bill does not restrict the President's use of other authorities but does clarify the authorities that are available for his use in an emergency. Third, the bill comes to grips with the state/Federal problem by clearly preempting state action that might conflict with a possible Federal response. Finally, the bill, by including broad guidelines for the distribution of available supplies of energy by category, takes the monkey off the President's back of having to decide the difficult priority issue in the midst of a national crisis.

We hope that the President will never have to exercise these emergency authorities. However, we will rest easier knowing that the country is capable of responding to a severe emergency shortage should it develop. The passage of S. 1503 will provide that needed guarantee.

Sincerely,

ROBERT J. WAGER,  
President.

NATIONAL COUNCIL OF  
FARMER COOPERATIVES,

Washington, D.C., October 15, 1981.

HON. JAMES A. McCLURE,  
Dirksen Senate Office Building,  
Washington, D.C.

DEAR SENATOR McCLURE: The National Council of Farmer Cooperatives strongly supports S. 1503, the "Standby Petroleum Allocation Act of 1981." We understood that the full Senate is expected to consider this bill the week of October 19.

This legislation is critical to the welfare and security of our national economy, as we are now without a responsible and effective emergency energy preparedness policy to respond to future crude oil supply disruptions. Agriculture, rural America, and the Nation as a whole can ill afford this vulnerability.

The tragic assassination of Egyptian President Sadat serves as a grim reminder that it is only a matter of time before world instabilities lead to another disruption. Now is the time to make careful decisions on this critical matter—not in the middle of our next fuel crisis.

The U.S. petroleum industry should be allowed to operate unfettered by government controls during normal market periods. However, another crude oil disruption could result in severe regional shortages and result in oil prices doubling again—absent appropriate action—with the OPEC cartel making these economic injuries permanent. This single event can destroy all progress in our tough economic recovery battle.

In reporting out S. 1503, you and your colleagues on the Senate Energy Committee have developed a balanced approach to disruption management which will provide the President with the necessary options to respond

effectively. S. 1503 embraces many of the concepts contained in the Durenberger/Andrews bill (S. 1476), an approach which the National Council has been endorsing.

The National Council is actively contacting members of the Senate, encouraging them to support and vote for S. 1503, and thereby issuing a strong mandate for responsible emergency energy preparedness policies. We applaud you for your strong leadership, and stand ready to work with you in every way possible.

Sincerely,

KENNETH D. NADEN,  
President.

AMERICAN PETROLEUM  
REFINERS ASSOCIATION,  
Washington, D.C., October 16, 1981.

HON. JAMES A. McCLURE,  
Chairman, Energy and Natural Resources  
Committee, U.S. Senate, Washington,  
D.C.

DEAR MR. CHAIRMAN: On behalf of the members of the American Petroleum Refiners Association let me express their gratitude for your continued support of emergency preparedness legislation.

S. 1503 is the result of a bipartisan commitment to help insure fair and equitable distribution of petroleum products to all the nation's citizens in the event of a crude oil supply disruption. Your efforts and S. 1503 are fully supported by the members of this Association.

As you may know, APRA is the largest trade association representing exclusively small and independent refining companies. These companies are located in more than twenty states and have worked diligently for almost three years in an effort to educate the Congress to the need of an alternative should a crude supply disruption eliminate any free market within the refining industry.

We look forward to continuing to work with you as this measure progresses through the Senate.

Sincerely,

RAY F. BRAGG, Jr.,  
Executive Director.

COMMITTEE FOR EQUITABLE  
ACCESS TO CRUDE OIL,  
Washington, D.C., October 6, 1981.

HON. JAMES A. McCLURE,  
Chairman, Committee on Energy and Natural  
Resources, U.S. Senate, Washing-  
ton, D.C.

DEAR MR. CHAIRMAN: As an organization which supports your bill, S. 1503, to authorize the President to allocate supplies of crude oil and petroleum products during a severe petroleum supply shortage, we wish to express our deep appreciation for your efforts in this regard.

We strongly commend you for holding the recent hearings. You did a masterful job of chairing the mark-up sessions on this proposal, allowing all views to be heard equitably. Also, your staff on the Committee has been most gracious.

With kind regards, I remain

Sincerely yours,

ROBERT G. REED, III,  
Chairman.

EMPIRE STATE PETROLEUM  
ASSOCIATION, INC.,  
New York, N.Y., October 19, 1981.

HON. JAMES A. McCLURE,  
Chairman, Committee on Energy and Natural  
Resources, Dirksen Senate Office  
Building, Washington, D.C.

DEAR SENATOR McCLURE: The Empire State Petroleum Association, on behalf of the independent gasoline and home heating oil marketers of New York State, hereby expresses its strong support for S. 1503, the Standby Petroleum Allocation Act now being considered by the full Senate. Standby au-

thority is critical to protect the consumers served by independent marketers as well as to preserve competition if a supply disruption occurs. New York consumers rely on the independent sector for most of their petroleum product needs; obviously these consumers cannot rely solely on the market for adequate supplies in time of crisis.

S. 1503 is far superior to the Emergency Petroleum Allocation Act (EPAA) which it replaces. No regulations will be implemented unless the President and Congress agree on the need; any control program will expire automatically in 90 days; and no state or local regulatory activity will be lawful that conflicts with the federal standby scheme. It is critical that federal law preempt individual states from enacting regulatory programs, which will increase prices, create supply disruptions, and prevent the marketplace from functioning effectively in time of ample supply.

Thank you for your consideration of EPA's views on this critical legislation.

Sincerely,

ROBERT D. LYNCH,  
Executive Vice President.

INDEPENDENT FUEL TERMINAL  
OPERATORS ASSOCIATION,  
Washington, D.C., October 19, 1981.

HON. JAMES A. McCLURE,  
Chairman, Committee on Energy and Natural  
Resources, U.S. Senate, Dirksen Of-  
fice Building, Washington, D.C.

DEAR MR. CHAIRMAN: The Independent Fuel Terminal Operators Association ("IFTOA") is writing to express its strong support for S. 1503, the "Standby Petroleum Allocation Act of 1981." As stated in our testimony before your Committee on July 30, 1981, we believe that in all but the most severe supply disruption, the market can correct most distribution and pricing problems. During a severe shortage, price and allocation controls may be necessary as last resort measures; such controls can preserve a competitive petroleum industry and ensure service to all consumers, particularly those served by the independents in urban and rural areas.

In late 1973 and early 1974, the Emergency Petroleum Allocation Act ("EPAA") assured survival of the petroleum distribution system and ensured equitable distribution of products at equitable prices throughout the nation. During the emergency, the EPAA worked. We recognize that the Committee has received much testimony criticizing the EPAA; however, Congress should recognize that the distortions and inefficiencies caused by that statute resulted from the maintenance of regulations long after the emergency had passed. S. 1503 is far superior to the EPAA. Perhaps most important, it has an automatic sunset provision; thus, regulations would be imposed only during an emergency and then only for the duration of the crisis.

Your Committee has recognized that (1) during periods of ample supply the free market alone should determine the allocation and pricing of petroleum products, and (2) during a crisis the Federal Government should implement a single, uniform system of controls. To ensure that individual states do not adopt their own allocation and pricing programs which would result in inefficiency, confusion and artificial shortages, Congress should adopt a strong preemption provision. That provision should explicitly state that upon promulgation of the standby regulations, State and local laws governing allocation and pricing of products are superseded.

With the addition of this one amendment, the Independent Fuel Terminal Operators Association strongly supports passage of S. 1503. Our Association believes that it is essential legislation which will ensure that

the United States will be prepared to deal effectively with any future energy emergency. Respectfully submitted.

LEONARD P. STEUART II,  
President.

INDEPENDENT GASOLINE  
MARKETERS COUNCIL,

Washington, D.C., October 19, 1981.

HON. JAMES A. McCLURE,  
Chairman, Committee on Energy and Natural Resources, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Independent Gasoline Marketers Council, a trade association of nonbranded independent retailers of motor gasoline, supports you in your efforts to persuade the Senate of the merits of S. 1503, the Standby Petroleum Allocation Act of 1981.

We were especially impressed with your leadership as Chairman of the Senate Energy Committee in achieving a committee consensus. You successfully avoided the efforts of some to make the bill excessively burdensome and at the same time you were flexible enough to permit the inclusion of protective language that independent marketers can feel comfortable with.

There is no question that in a severe petroleum shortage, Congress would legislate petroleum regulations. We believe that legislation passed during an emergency would not be as good as S. 1503, the bill the Energy Committee has reported.

If there is anything we can do to support your efforts on the floor, please do not hesitate to write.

Sincerely,

JACK A. BLUM,  
General Counsel.

INDEPENDENT REFINERS  
ASSOCIATION OF AMERICA,

Washington, D.C., October 16, 1981.

HON. JAMES A. McCLURE,  
U.S. Senate, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR McCLURE: On behalf of the Independent Refiners Association of America, I urge you to support S. 1503, Senator McClure's standby petroleum allocation bill. Th bill was approved by the Senate Energy Committee by a vote of 13-4 and is currently scheduled for consideration on the Senate floor on Monday, October 19. We think the Committee has done an outstanding job in shaping a bill that meets our national needs for a standby program to deal with severe petroleum supply disruptions, and we urge your support for this effort.

Our support for S. 1503 is based on several factors. First, and most important, this country can simply not afford to be without a standby emergency program to deal with future petroleum supply disruptions. Failure to develop such a standby program would not be responsible national policy. The recent tragic events in the Mideast have underscored just how fragile is the stability of the region that supplies by far the greatest share of our petroleum imports. Our analysis of existing legislative authority suggest that, at the very least, any attempt to respond to an emergency by using what is now on the books would be tied up in the courts, which is the last thing we would need at such a time.

Second, S. 1503 prescribes an approach that is carefully limited both in terms of how standby authorities can be invoked and in terms of how long the program could remain in place. The President is required to oversee the development of a standby regulation. That regulation may be implemented by the President only in case of a severe supply disruption. Even when implemented, it can only remain in place for 90 days and is subject to disapproval by either House of Congress, and it can only be extended once, for a maximum of 60 days, by the Administration. Any attempt to keep the program

in force for a longer period of time would require that the President resubmit the program to Congress, a procedure which we believe ensures that no standby allocation would remain on the books past the time when it is needed. And the entire bill expires in 1985.

Third, Senator McClure and the Senate Energy Committee are wisely relying on the President's informed discretion in terms of deciding when the standby allocation program should be utilized. Many people have talked about a more mechanized triggering procedure, but we strongly believe that it is not the most feasible approach in the present circumstances.

In view of these considerations and in view of the substantial risk that we will face a crude oil supply disruption at some point over the next decade, we strongly urge you to vote in favor of S. 1503.

Very truly yours,

JACK C. PESTER,  
President, Pester Refining Co.,  
President, IRAA.

NATIONAL FOOD

PROCESSORS ASSOCIATION,

Washington, D.C. October 16, 1981.

HON. JAMES A. McCLURE,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR McCLURE: The National Food Processors Association (NFPA) filed a statement for the record of the hearings held by the Committee on Energy and Natural Resources in favor of legislation giving the President new authority to allocate petroleum products. Although the NFPA shares President Reagan's preference for a free market, it is our contention that when supplies are disrupted by outside sources a "free market" no longer exists, and the normal supply and demand mechanisms will not suffice. The President should plan in advance and should have authority to act when necessary to assure distribution of fuels to agricultural end users and other priority end users.

We urge you to vote for S. 1503 as reported. This would create new standby authority for the President to allocate petroleum products during a severe supply disruption. Of all the industry activities in the United States, none are more vulnerable to energy supply disruption than are the growing, harvesting, and processing of perishable foods. For this reason, there should be a high priority on energy for agricultural end users.

Sincerely,

RICHARD W. MURPHY,  
Vice President.

NATIONAL OIL JOBBERS COUNCIL,  
Washington, D.C., October 15, 1981.

HON. JAMES McCLURE,  
Chairman, Senate Energy and Natural Resources Committee, Dirksen Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: The National Oil Jobbers Council would like to commend you and the members of your Committee for your leadership in insuring that this nation will be adequately prepared to react to any future petroleum supply disruptions. NOJC feels that without legislation such as S. 1503, the 22,000 small business independent marketers of petroleum products and the millions of consumers they serve would face unnecessary hardship during a severe emergency.

This legislation fills a critical void in the President's powers to act in a severe crisis and gives this nation time to prepare programs that can help us avoid the problems created by past regulations that were hurriedly formulated and unnecessarily perpetuated.

Sincerely,

PHILLIP R. CHISHOLM,  
Executive Vice President.

NEW ENGLAND FUEL INSTITUTE,  
Watertown, Mass., October 19, 1981.

HON. JAMES A. McCLURE,  
Chairman, Senate Committee on Energy and Natural Resources, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR McCLURE: The New England Fuel Institute ("NEFI"), an association of 1,264 independent retail and wholesale home heating oil distributors throughout the six New England states, wishes to express its strong support for adoption of the "Standby Petroleum Allocation Act of 1981," S. 1503. As active competitors in the petroleum market, we believe that the market is the best allocator of product in all but the most extreme circumstances. However, as we explained in our testimony before the Committee of May 19 and our statement of August 10, NEFI recognizes the importance of price and allocation controls on refined petroleum products in the event of a severe supply disruption.

In the winter of 1973-74, the Emergency Petroleum Allocation Act ("EPAA") prevented home owners in New England from suffering severe hardship due to the cold. That Act ensured equitable allocation of home heating oil at equitable prices to our region. Without that legislation, major integrated oil companies would have retained whatever available supply existed within their own distribution systems, primarily outside of New England. The EPAA preserved a viable independent marketing segment. The difficulties occurred when those controls were kept in force long after the crisis had passed. Commendably, S. 1503 avoids this problem by providing an automatic termination of regulations no more than 90 days after their implementation.

NEFI also urges the enactment of a strong preemption provision. The distribution of crude oil and petroleum products involves interstate commerce; that system cannot be subject to piecemeal state-by-state allocation and pricing regulation. It is clear that it is the intention of Congress to permit the market to govern petroleum price and allocation matters at all times except during an emergency. However, if Congress does not explicitly state that intent, it may in effect encourage States to adopt legislation which it not only does not endorse but which it wishes specifically to avoid. Therefore, NEFI supports a preemption provision which states that the Federal program, regardless of whether it is implemented, supersedes all State and local price and allocation programs. Such a provision is essential to achieving the objectives of the Federal legislation.

With this amendment, S. 1503 will ensure that our nation is prepared to deal with any future energy supply emergency in an equitable and efficient manner.

Respectfully submitted,  
CHARLES H. BURKHARDT,  
President.

COLLIER, SHANNON, RILL & SCOTT,  
Washington, D.C., October 15, 1981.

SEN. JAMES A. McCLURE,  
Chairman, Committee on Energy and Natural Resources,  
Dirksen Senate Office Building,  
Washington, D.C.

DEAR MR. CHAIRMAN: On behalf of our client, the Society of Independent Gasoline Marketers of America (SIGMA), we wish to express the association's appreciation for your and the Committee's efforts with respect to S. 1503. As you are aware, SIGMA believes that it is essential that the President of the United States be provided with clear, unambiguous authority to respond to any potential severe petroleum supply disruption. SIGMA views S. 1503 as an appropriate grant of such authority. Therefore, SIGMA strongly supports the Senate's passage of S. 1503.

Sincerely,

R. TIMOTHY COLUMBUS,  
Counsel.

UNITED FRESH FRUIT AND  
VEGETABLE ASSOCIATION,  
Alexandria, Va., October 16, 1981.

HON. JAMES A. MCCLURE,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR MCCLURE: On behalf of the United Fresh Fruit and Vegetable Association, I wish to commend you for your work on the "Standby Petroleum Allocation Act of 1981," which recognizes the priority energy needs of the agricultural industry. United fully supports the passage of this bill (S. 1503) and urges the Senate to consider the legislation in the near future.

Briefly, United is the national trade association for the fresh fruit and vegetable industry. Its membership numbers over 2,700 companies located throughout the country. They are engaged in all facets of the fresh produce industry and include growers, shippers, receivers, wholesalers, retailers, truck and produce brokers, as well as motor, rail, air and water carriers. Collectively, the members of United handle more than eighty per cent of the fresh fruit and vegetables which are commercially marketed in the United States, a thirty-five billion dollar a year industry.

United does not believe that the economic forces of the market place, without this standby petroleum allocation legislation which you introduced, are sufficient to allocate equitable and efficiently limited fuel supplies during an energy emergency. If an oil crisis should occur without a standby allocation plan ensuring energy supplies for food production and transportation, it would seriously threaten the welfare of the agricultural community and the nation's consumers who depend upon American agriculture.

American agricultural production consumes just three per cent of the nation's energy resources, and agricultural transportation uses only one percent of the national supply. Although this large industry requires relatively small amounts of fuel and energy, these supplies must be available to agricultural users without disruption. Due to the highly perishable nature of fresh fruits and vegetables, even a few days delay can result in costly crop losses or severe deterioration of crop quality. Consequently, a disruption of oil supplies without a standby allocation plan for agriculture would impair the ability of the members of United to produce, harvest and transport their commodities to market.

Accordingly, United appreciates your work on S. 1503 and will urge the members of the Senate to pass it forthwith.

Sincerely,

BERNARD J. IMMING,  
President.

Mr. MCCLURE. Mr. President, I thank the members of the committee, those who have agreed with this action, in particular. I also thank those who have disagreed with this action for their constructive comments and their willingness to participate in the process, even though they disagreed with the outcome. I am sure that this cooperation will continue on the floor.

I also wish to particularly commend the ranking minority member, the former chairman of the committee, Senator JACKSON, for his continued support and participation throughout this markup. I also thank Senator JOHNSTON and Senator FORD and others on the other side of the aisle who have been faithful in their attendance at the hearings and at the markup. No member of the committee has been more prompt in coming to or more willing to stay at the committee's proceedings than has the Senator from Kentucky. A close second would

be the Senator from Louisiana. I appreciate that because it makes the work of the chairman much easier.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. JOHNSTON. Mr. President, I shall be rather brief. I wish to say, first, that I share the bias of the Senator from Idaho against regulation, and this bill is not intended to be EPAA, junior. Rather it is intended to be a very carefully crafted, greatly restricted, discretionary power with the President to be used by him in an emergency and then for only a limited period of time.

We hope it will never have to be used, but we must look at the situation in the Middle East and consider the instability there. We must consider the fact that wars and rumors of wars are transpiring even today, the fact that just days ago one of our very best friends in the Arab world, President Sadat, was assassinated, and the fact that the King of Saudi Arabia was assassinated a short period of time before that. Also, we must consider the fact that Iran and Iraq continue to be in war, the Yemenese continue to make menacing sounds and gestures at Saudi Arabia, the Lebanese situation continues to boil and threatens again to erupt into what seems to be an almost constant state of war, and the Libyans and the Sudanese continue to have raids and fight across the border. In sum, Mr. President, the Middle East is an unstable area that supplies the world with most of its imported oil.

And a cutoff of supplies from the Middle East is not only possible or conceivable but it is thinkable, and it is in that spirit that this bill intends to have a framework built on which emergency action can be taken.

Without this framework, without all of these issues having been thought through and the framework built, then the emergency would be indeed much worse as the country frittered away its time trying to build this structure in the midst of that emergency.

Second, I wish to say that the bill is defective in my judgment in that it does not deal with the question of gasoline rationing. Gasoline rationing is a step removed from the kind of emergency that would trigger this bill and the provisions of this bill.

Gasoline rationing, in my view, should be invoked only in a really severe emergency or in terms of percentages, a cutoff of something like 20 percent of our supplies. But if we ever reach that point, Mr. President, it would be perfectly clear that the free market acting alone could not solve the problem because what we would have would be prices of gasoline that some have estimated to be as high as \$6 or \$8 a gallon. That kind of free market price simply would be unacceptable to the American people. To allow marketers of gasoline, whether they be the corner filling station or the biggest international oil company in the world, to raise prices 200 or 300 percent in the midst of such a crisis and have that provide the "free market mechanism" by which a scarce and precious resource is rationed among the people of this country would be totally unacceptable.

And that is the situation we would face. We have no standby rationing plan. I quite agree that the rationing plan that we perfected beginning with President Ford's administration and then culminating in President Carter's administration was a flawed plan. Indeed, it is impossible to have a rationing plan that is not flawed because there is no equitable way or no reasonable way to measure and calculate the needs and equities pertaining to millions of different Americans and millions of different situations economic, social, moral, et cetera. There is no way to do that adequately, completely, and fairly.

So any program that attempts to do it is, therefore, necessarily flawed. But we should have some standby plan that the President can invoke in the midst of an emergency and as we often said in these matters if the oil companies cannot trust Ronald Reagan whom can they trust? Ronald Reagan as President of the United States should have some kind of standby authority for gasoline rationing which I hope he would never have to use. I would hope that the most liberal Democrat would not even be tempted to use it. But it should be there, and this bill is flawed in that it does not deal with that question.

Other than that, the bill is a good one. The crude sharing provisions I think are reasonable. They have been fought for as standby authority by a number of us over a long period of time. The reason we want crude sharing is that the independent refining sector is vital to competition. It is vital to the supply of many regions of our country. And without some kind of protection in the event of a crude oil cutoff, a crude oil shortage, we would be likely to lose our entire independent refining sector, which comprises about 25 percent of refinery capacity in this country.

The crude oil sharing provisions, Mr. President, lest anyone be confused, is not a return to the old days of the small refiner bias. No one, certainly not I, wants to return to what was a bravely conceived but poorly executed plan that gave the small refiners what I think the Washington Post called a bubble bath of subsidy which they neither deserved nor which happened to be economically efficient. The subsidy was too much. It even created small topping plants or distillation plants that really added nothing to the refinery capacity needed by this country.

We are not authorizing that with the crude oil sharing program. We are requiring that the President come up with a set of rules which he can invoke in the midst of such an emergency. He can invoke crude oil sharing before, after, independently of or part of a price and allocation proposal.

So in my view the most sensible thing would be that the President would in the midst of an emergency first invoke crude oil sharing before he goes into price and allocation because crude oil sharing would be a less burdensome, a less dislocating thing for petroleum markets than price and allocation would be. That would be a judgment which the President would be free to make under this bill.

Finally, let me say just a word about

Federal preemption of State and local laws. We will deal with preemptions here in an amendment to be offered next week. I understand it is next Thursday that I will resume consideration of this bill. I have a proposed preemption provision which I have circulated.

There are various other versions of a preemption amendment which are also being circulated. The distinguished chairman of the committee and I, and indeed the whole committee, dealt with this matter in the markup. The record of the markup reflects an intention of the committee to offer a preemption amendment on behalf of the committee which in effect would provide that Federal law in this area, pricing and allocation, would preempt any State laws except to the extent that the President chose either through a rulemaking or some other procedure to exempt from preemption either generic or generalized types of State laws or indeed perhaps even to exempt State laws by name if they fit the category.

We have not succeeded at this point in reducing that concept mentioned at the markup to an agreeable set of words, but I hope and trust that we will be able to do so.

Price and allocation control are something we all want to avoid, but one thing is clear, at least to this Senator, and that is if it is invoked it ought to be done on a uniform basis with the national good in mind. That is clear, I think, to all of us who have dealt in this area over the period of years since the first oil shock that oil is not only an interstate matter of concern, it is an international matter, and no State should be permitted to set up regulations on pricing and allocation that would get for that State some kind of advantage over its neighbor or would set up a system which might be inconsistent with the national good and the national interest as far as oil and oil pricing and allocation are concerned.

If it is a sufficiently strong problem that a State should want to invoke a program, then that same kind of circumstance should cause the President to invoke the program on the national level, and I hope and trust we can work that out.

Mr. President, the Standby Petroleum Allocation Act of 1981 is a bill I consider to be one of the most important pieces of substantive legislation we will debate in this Congress.

This has been a year of tax and budget cuts. Congressional preoccupation with the economy has been and will continue to be needed and appropriate, given the dismaying statistics we see everyday on the rates of unemployment, of inflation and of interest on borrowed money.

Much of the difficulty in which we now find ourselves can be traced to the sudden petroleum price increases of the 1970's. The law which defined our petroleum policy during that period, the Emergency Petroleum Allocation Act of 1973, expired on October 1, 1981. It is therefore also appropriate that the Senate at this time consider legislation establishing a new petroleum policy for the 1980's. That new policy is embodied in S. 1503.

It is, first of all, a bipartisan policy. Sponsored originally by the chairman of the Committee on Energy and Natural Resources, Senator McClure, this bill has become under his leadership a bill which reflects the consensus of the views of both Republicans and Democrats on the committee. Senator McClure is to be congratulated for his work in building this consensus.

Second, this bill is a free-market bill. Its bias is clear. The free market is the primary mechanism to be used to address shortages of petroleum. Allocation may only be used in truly extraordinary circumstances, and then only subject to rigorous limitations established in the bill.

Thus, any allocation rule may only be implemented after detailed findings are presented to Congress by the President and only after Congress has been given an opportunity to veto such implementation.

Moreover, any allocation rule imposed will automatically self-destruct unless the President again demonstrates that circumstances are still so precarious as to justify continuation of the effectiveness of the rule.

It is the committee's intent that a heavy burden be placed on the President in making the findings referred to in these provisions of S. 1503. Clear and compelling justification for the actions the President would take under this authority are required.

Finally, this is a responsible bill. Experts on the forces affecting the world oil market are virtually unanimous on the subject of the inherent instability of that market. The 1980's are expected to include turbulent, and potentially disastrous periods for oil-consuming economies. The President must have adequate discretionary authority to manage domestic petroleum supplies in the event that the severe disruption we hope will never happen does in fact occur. The President and Congress should arrive at an agreement on the nature of that authority now, before such a disruption occurs.

Mr. President, I ask unanimous consent that a summary of a study underlining the need for this kind of authority by one of the world's foremost petroleum consultants, Walter J. Levy, be printed in the RECORD at the conclusion of my remarks.

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

(See exhibit 1)

Mr. JOHNSTON. I urge the Senate to act in an expeditious manner to provide the President the clear legislative authority he needs to exercise effective leadership during a petroleum supply crisis. S. 1503 represents a basic approach to this problem. S. 1503 provides for a free market supplemented by allocation where necessary. This approach is perhaps the most familiar and easily managed methodology we have to deal with petroleum shortages. For this reason, if for no other, such authority should be unambiguously available to the President.

S. 1503 also includes specific authority

for an optional program which may offer special help to the President in smoothing out disruptions in petroleum supplies with a minimum of regulatory intrusion. Section 5 of the bill provides for a program of crude oil sharing among refiners which could be implemented by the President to reduce disparities in crude oil availability during a severe supply disruption.

I believe the approach offered by section 5 of S. 1503 contains a number of advantages. First, such a program can be implemented in a manner which involves regulatory interaction with refiners only, and perhaps with only a few of them—the most disadvantaged and the most fortunate relative to the average. At the same time it should be possible to avoid complex and burdensome controls on domestic producers of crude oil and on distributors and marketers of refined petroleum products.

Second, such a program can alleviate the kind of panic-buying which drove world crude oil prices from \$15 per barrel to over \$40 per barrel during the shortfall resulting from the Iranian revolution. If refiners know that everyone will be treated fairly with respect to crude oil access during a severe supply disruption, the impact of that disruption on crude oil prices should be mitigated.

Finally, such a program should provide the kind of certainty necessary to permit a broad range of refinery upgrading investments. With the knowledge that refiners will be able to get some crude oil during a disruption—to be sure, not as much as they might want—financing for refinery retrofit should become available at far more reasonable rates. Refinery upgrading offers real promise for the reduction of overall U.S. crude oil requirements as well as requirements for expensive, foreign, light, sweet crude oils.

The more flexible our domestic refining capacity is in converting readily available crude oils and unwanted residual fuel into transportation and home heating fuel, the more domestic priority users of petroleum will be insulated from any sudden reduction in the availability of the most-sought-after foreign refinery feedstocks.

The free market supplemented by allocation, crude oil sharing and the use of refined product set-asides are authorities contained in S. 1503. Other approaches to the problem have been suggested. These include detailed rules for the use of strategic petroleum reserve oil and reliance on the recycling of incremental Federal tax revenues, resulting from high domestic oil prices, as ways to mitigate the effects of a severe petroleum supply disruption. These options merit the study and consideration of Congress. In my opinion more study is necessary before either option is ready for enactment.

The Energy Policy and Conservation Act (EPCA) governs the use of oil stored in the strategic petroleum reserve, and S. 1503 would not change that. The committee intends that the allocation of crude oil from the SPR be governed by the applicable provisions of EPCA, not by S. 1503. With nearly 250 million barrels

in the SPR by January 1, 1982, Congress may soon decide to review the matter of SPR drawdown. The committee decided not to attempt such review in the context of S. 1503.

I have a special interest in the matter of windfall petroleum revenue recycling as a method of addressing severe petroleum supply interruptions. I have a bill, S. 824, before the Finance Committee which contains a version of this approach. I introduced S. 824 to stimulate substantive discussion of the recycling option. I think the concept has great promise. In any event, it is the preferable approach if the alternative is coupon rationing of petroleum.

The Committee on Energy and Natural Resources was urged to adopt another version of revenue recycling as the sole response permitted to the President during a severe petroleum supply disruption. I understand that a similar amendment will be offered during floor debate on S. 1503. I will oppose this amendment, and I urge my colleagues to do the same.

Revenue recycling may turn out to be the preferred approach to the management of petroleum supply disruptions, but we have not yet had the benefit of the kind of detailed analysis which might tell us that conclusively. Such analysis simply must be available before we consider adopting recycling as a discretionary policy. Certainly we do not know nearly enough about how revenue recycling would work to make it our only policy.

I hope that we will be able to make clear that a negative Senate vote on revenue recycling does not preclude future approval of the concept, when and if the appropriate detail and justification can be provided to the committees of jurisdiction.

Mr. President, the bill before us is a worthy product of the Committee on Energy and Natural Resources and deserves the support of the Senate. I urge my colleagues to act favorably on the bill so its enactment by Congress can be accomplished as soon as possible.

#### EXHIBIT I

#### CRUDE PRICE DECONTROL—WHAT IT WILL MEAN FOR COMPETITIVE CAPABILITIES IN THE U.S. REFINING INDUSTRY

#### SUMMARY

1. The time and circumstances under which domestic crude oil is scheduled to be decontrolled are critical to the potential impact of decontrol on competitive capabilities in the U.S. refining industry. For the foreseeable future, U.S. refineries will be dependent upon substantial volumes of foreign crude to meet their total feedstock requirements. Furthermore, U.S. refineries will be importing crude in a world oil environment characterized by tight supply/demand balances, a range of uncertain events that could disrupt supplies at any time, and prices that are volatile and subject to wide disparities.

2. The Report begins with a look at the likely circumstances under which foreign crude oil will be available to the U.S. refining industry in the 1980's. We then consider how markets for domestic crude oil may look after decontrol. The final part of the Report deals with the implications for government policy of problems of competitive access of U.S. refiners to crude oil supplies in periods of shortage.

#### FOREIGN OIL AVAILABILITY

#### Requirements vs. potential supply

3. The general outlook for the decade of the 1980's and beyond is for world-wide oil

balances to be tight at best. Demand for oil will increase very slowly by historical standards, reflecting a very marked slowdown in growth of total energy requirements and major contributions to energy supplies from sources other than oil. Nonetheless, the demand for oil will still increase substantially in absolute terms (close to +10 million barrels per day between 1980 and 1990) and the non-Communist world will be consuming on average about 20 billion barrels of oil annually over the decade.

4. Even with a substantial increase in non-OPEC oil production, demand for OPEC oil output could average close to 30 million barrels daily in the 1980's. This level of demand for OPEC oil looks to press up against the ability and willingness of OPEC nations to produce over the years ahead.

5. The decade of the 1980's and beyond should see a rising long-term trend in the real price of crude oil, reflecting generally tight oil balances, a dwindling resource base, and higher replacement costs. However, the upward trend in foreign crude oil prices is not likely to be smooth.

6. With little in the way of available surplus productive capacity to turn to, it will not take much in the way of lost production somewhere around the world to disrupt international oil supplies in the 1980's. Cutbacks in oil availability could result from a wide range of possible developments—e.g., withholding of supplies by one or more exporting countries for political reasons, physical mishaps, and military conflicts such as the past Arab-Israeli wars and the current war between Iran and Iraq. With little slack and many potential shocks, it is reasonable to anticipate a greater frequency of disruptions to world oil supplies in the future than in the past.

Furthermore, the disruptions that occur are likely to have a far greater impact than those of only a few years ago—e.g., contrast the minimal effect on oil supplies and prices of the Arab oil embargo arising out of the Israeli-Arab war of 1967, when substantial surplus productive capacity was available, and the devastating impact of the embargo/production cutbacks that followed the Arab-Israeli war in 1973, when there was relatively little in the way of unutilized capacity that could be drawn upon.

#### The impact of supply disruptions

7. When various random events trigger temporary cutoffs in the flow of oil, companies and countries who are left short of supplies—or even fear they will be left short—will inevitably seek out whatever oil is still made available in order to shore up their positions. The urgency to make up supplies can be expected to lead to hectic price competition in "spot markets"—i.e., anytime and anywhere uncommitted oil can be acquired by bidding up the price of such supplies.

8. However, with supplies being tight and shortages feared, companies with continuing access to foreign crude—e.g., through producing positions or supply contracts—are unlikely to make much in the way of supply available to others. In these circumstances, all companies have a strong interest in holding very closely whatever supplies they may have available. Higher-than-market price offers by crude-short companies may elicit little if any additional supply. Hence, dramatic runups in price offers in the effort to get potential sellers to let go of barrels. Even then, the volumes actually transferred tend to be relatively limited compared with the quantum increases in crude oil prices.

9. Withal, sharp increases in spot prices will be followed in course by upward adjustment in contract and OPEC official prices, although not necessarily to the levels reached in spot markets.

10. In this kind of environment, disparities among prices at which various crude oils are moving are likely to be fairly wide. By way of illustration, in mid-1979 when buyers were

still scrambling for crude in the wake of Iranian cutbacks, official government selling prices were in a considerable range—e.g., Saudi Arabia at \$18 per barrel, Kuwait at \$19.50, and the OPEC African producers at \$23.50. Term resales of OPEC crudes were reported at official prices plus 35–50 cent premia in the Arabian Gulf and up to \$2 for African crudes. Spot prices were approximately \$32 for Arabian Gulf and \$36 for African crudes. By end-1979, Saudi Arabia had increased its official price by a steep \$6 per barrel to \$24, but didn't even come close to narrowing the gap on other escalating OPEC official and contract prices.

11. Companies will inevitably have differing crude costs even absent emergency supply conditions, reflecting relative resource positions and the commercial options they have chosen. The effect of shortages is to sharply widen the divergencies. However, the most critical aspect of price behavior during disruptions is that if there are no governmental policies in place assuring equitable access—among countries and among companies—competitive bidding for scarce supplies will lead to repeated price explosions. These can have dire consequences for the world's economies, for comity among oil-importing nations, and not-so-incidentally for incentives for essential investments to adopt U.S. refining capabilities to the country's changing product requirements (of which more later).

#### Temporary surpluses

12. The 1980's are likely to witness periods of temporary surpluses from time to time. These could emerge, for example, when production is restored after a supply disruption and/or demand is reduced substantially by sharp price increases and depressed economic activity. During temporary surpluses, there is the potential for price weakness and a narrowing of price differentials among crudes. However, there are several major factors that serve to vitiate downward price pressures and the narrowing of price disparities when crude balances become easier.

13. Most important, OPEC provides support to prices through the ability and willingness of its resource-rich members, notably Saudi Arabia, to live with substantial shut-in capacity when surpluses emerge. This underpinning serves to limit competitive selling pressures among OPEC nations and prevent a general downward price spiral.

14. Actions of oil-importing countries and companies also tend to help OPEC along in supporting prices in times of temporary surplus. After a shortage and in anticipation of the next one, there tends to be a compulsion to build up inventories as supplies become more plentiful. This adds to the total demand for oil and keeps balances tighter than they would be otherwise. Furthermore, oftaking companies often continue to accept high asking prices from producing countries even when oil balances ease up. To refuse high prices in the short term could prejudice long-term offtake rights which would be of precious value later on when balances tighten once again.

15. It is possible that discounts off OPEC official prices could emerge during temporary periods of surplus, despite the support provided directly by key OPEC members and indirectly by the actions of oil importers. However, these discounts are likely to be modest as compared with premia during shortage periods. Price behavior thus is likely to be asymmetrical during periods of shortage and surplus.

#### Implications of uncertain supplies and exploding crude prices

16. The world would be able to adapt to a reasonably continuous upward trend in real oil prices that reflected the increasing scarcity of oil resources and rising cost of replacement. It is the explosive price increases during periods of shortage—coupled with rigidities on the downside when temporary surpluses emerge—that lead to serious



economic difficulties for countries and commercial difficulties for companies.

17. Explosive increases in oil prices have a serious negative effect on international financial flows—adding to already high trade deficits of most oil-importing countries and adding still further to the huge financial surpluses of a few exporting countries—and world economic activity. Bidding among oil-importing countries for limited volumes of scarce supplies—which can only benefit one at the expense of another—is bound to undermine efforts for international economic cooperation. Companies whose only recourse in the event of supply disruption is frenetic bidding in what may be a futile effort to obtain needed crude supplies clearly do not have a sound basis for making future investments in refining operations.

18. These problems can only be dealt with by concerted policy efforts on the part of the governments of oil-importing countries. What is essential is that during periods of shortage, scant oil supplies are shared equitably among countries and there are assurances that companies also will share on some reasonable basis in whatever supplies are available (to which we return).

#### *U.S. crude oil markets after decontrol*

19. U.S. crude oil price controls are currently scheduled to be phased out by October, 1981. Decontrol sooner is being mentioned as a possibility under the incoming Reagan Administration. Whenever controls are lifted, prices for domestic crude oils will be oriented in general to the delivered costs of foreign crude.

20. In 1979, when limited volumes of domestic crude were free of controls and world oil supplies were scarce, prices for decontrolled domestic crudes tended to move up to—and at times even above—the delivered cost of foreign crude purchased at spot prices. In effect, a spot market developed in the United States—comparable to the so-called "Rotterdam" market abroad—for the volumes of domestic crude that were free of controls and could be obtained by bidding on price. Price premia paid for domestic crude over and above spot foreign crude presumably reflected the value attached by purchasers to the added supply security of domestic crude oil.

21. However, when all domestic crude is decontrolled, it is unlikely that some 8 million barrels daily of domestic crude will sell at prices tied inexorably to a very narrow foreign spot market. Prices posted by U.S. refiners for domestic crude after full decontrol are likely to reflect a combination of commercial, institutional, and political considerations. Such factors as the invoiced price of foreign supplies, assessments as to what level of prices may be necessary to acquire or hold supplies in competition with other refiners, and tax considerations (e.g., the incidence of excess profits tax on higher price realizations for an integrated producer) could enter into pricing decisions of individual refiners. All of these factors are likely to militate against very close or very quick adjustment in domestic postings to short-term changes in foreign spot markets.

22. In an environment of tight oil balances and supply uncertainties, substantial volumes of domestic—as also of foreign crudes—are likely to be tightly held. Refiners with access to their own domestic crude production and/or some form of control over purchased crude via gathering and other pipeline connections will have a strong interest in keeping such crude within their integrated systems.

23. As with the foreign oil market, the ability of crude-short refiners to dislodge domestic crude from others via price offers is likely to be relatively limited in times of severe supply stringency. To the extent necessary, refiners threatened with loss of do-

mestic crude to which they have access via pipeline connections would tend to raise their own postings to the level at least necessary in order to assure their continuity of supply. Whatever domestic crude might be acquired through competitive bidding in such circumstances would almost inevitably be not only at the high end of the spread of prices that refiners pay, but would probably exceed that in net cost by virtue of collateral arrangements entered upon in order to complete the transaction.

#### *Access to crude and Government policy*

24. The future foreign and domestic crude oil environments described above suggest serious problems for various U.S. refiners in obtaining crude oil supplies in periods of shortage. It is very difficult to predict in advance which refiners are likely to feel the immediate or major brunt of shortfalls. In general, independent refiners are likely to be relatively exposed, owing to their more tenuous crude oil resource positions. Integrated refiners may have better security of supply when interruptions occur through their preferred access to large volumes of foreign oil as operators or under contract arrangements and to domestic oil either owned or controlled.

However, major oil companies can also be very hard hit, especially because of their dependence on vulnerable foreign sources. Witness the experience of British Petroleum, which within a relatively short period of time lost its 40-percent interest in Iran, had contract purchase volumes sharply cut back in Kuwait, and was thrown out of producing positions in both Libya and Nigeria for political reasons that the respective host governments presumed to invoke whilst tight world oil balances made their actions less risky than would have been the case in an earlier period. U.S. majors may not be politically impervious.

25. Absent a cushion of spare productive capacity, refiners who suffer cutoffs in traditional oil supplies find themselves with limited let alone commercially unattractive options for making up the deficiency. It is unlikely that alternative offtake arrangements can be negotiated when supplies are generally short. The only real alternative then is competitive bidding in spot markets, foreign and/or domestic. And as discussed, the consequences tend to be disruptive, not only from the standpoint of the companies affected but also of the countries exposed to the shortfall.

26. From the standpoint of the individual refiner, if he is successful in obtaining spot supplies, it would only be at very high prices. But even at very high prices, an individual refiner is unlikely to obtain the volume of crude supplies in the spot market that he needs to sustain operations—not when a crisis significantly cuts into aggregate crude oil availability on world markets.

27. Competitive bidding for spot supplies in shortage situations is also an unsatisfactory alternative from the standpoint of oil-importing countries, individually and as a group. Since total volumes available are limited, what one refiner or country acquires by bidding is at the expense of another. Further, as experience has only too convincingly shown, the resulting explosive price increases can lead to serious economic problems of world-wide dimensions—as following the 1973-74 and 1979-80 episodes.

28. There is a parallel, then, between the concern of U.S. refiners for crude access during supply emergencies and the concern of the U.S. Government on an international level for both equitable access among nations and fending off economically disruptive price runups. The United States has joined with most other industrial nations, under the auspices of the International Energy Agency, in developing a plan for oil sharing among its members in emergencies. A key objective is

to keep countries from competing among themselves for limited supplies by providing each country with reasonably assured access to whatever limited supplies are available.

29. U.S. policy toward its oil-refining companies could be as essential during supply crises as U.S. policy with its oil-importing-country allies. It is in the U.S. interest to see that neither countries nor companies are left unprovided for when an emergency arises. Having the mechanisms in place that assure equitable access during periods of shortage would clearly help also to preclude the disastrous price explosions of recent years and that otherwise would have to be anticipated with perhaps increasing frequency over the years ahead.

30. The United States has an obvious national interest in a viable domestic refining industry. The industry will have to provide adequate overall capacity to meet future demand. More important, the U.S. refining industry will have to adapt over the years ahead to a changing pattern of product requirements, more stringent product specifications (e.g., lower-sulphur content), and shifting mixes of available crude oils (particularly, heavier and higher in sulphur). This adaptation will inevitably require continuing investment in high-cost, complex processing facilities.

31. When it comes to a supply crunch, it may be reasonably assumed that some form of ad hoc allocation of available crude would be invoked, particularly if circumstances get bad enough. However, this is hardly the same kind of assurance of supplies as would be provided by a program-in-place that spells out in advance how refiners would share available oil in the event of emergencies.

32. To ensure incentive for continuing essential investment by the U.S. refining industry—particularly with the lapse of extant authority as from October 1981 decontrol—legislative and administrative foundations would have to be reestablished to provide refiners with reasonable confidence of equitable access to crude in supply emergencies and at prices that are not disastrously out of line with competitive crude costs. The latter is not meant to imply that crude costs among refiners should be equalized on a continuing basis, or even in shortage situations. However, incentive to investment in new facilities requires some assurance that refiners will not be exposed subsequently to such extremely out-of-line crude prices that the continuity of viable operations would be seriously threatened.

33. In sum, during periods of supply crisis, a program for equitable access to crude oils by U.S. refiners would serve the national interest by paralleling international efforts to share available supplies among oil-importing countries and to fend off explosive price increases associated with the crisis or even in anticipation.

Mr. JOHNSTON. Does the fact that the objectives listed in section 4(a)(2) of S. 1503 are identical to those in the Emergency Petroleum Allocation Act of 1973 (EPAA) mean that the administration must implement the same regulatory programs as those which were developed under the EPAA?

Mr. McCLURE. No. The Committee on Energy and Natural Resources did not intend to reincarnate EPAA through S. 1503. If the committee had wished to reenact the EPAA along with all of the regulatory programs that implemented it, the committee could have simply extended the EPAA.

However, the committee consciously chose a different route. After careful consideration, the committee concluded that it is essential to the national inter-

est to provide the President with broad allocation authority in the event of a severe petroleum supply shortage. However, in order to prevent S. 1503 from expanding into another EPAA, the committee adopted certain safeguards.

For example, the authority in S. 1503 is discretionary, not mandatory as was the EPAA. Unlike EPAA, the authority under S. 1503 cannot be implemented without a finding by the President, which is subject to congressional review, that a severe petroleum supply shortage exists or that it is required by the international energy program.

Furthermore, in sharp contrast to the EPAA, price controls can be imposed under S. 1503 only after the President makes a specific finding that they are necessary. Moreover, S. 1503, unlike the EPAA, contains a strict sunset provision.

In the report which accompanied S. 1503, the committee explained as follows its decision to incorporate into S. 1503 the section 4(b)(1) objectives of the EPAA:

The Committee's decision to incorporate the objectives of section 4(b)(1) of the Emergency Petroleum Allocation Act of 1973, as amended, into S. 1503 was based on the consensus formed in the course of the markup sessions that the interests reflected in that provision have historically been and continue to be of national concern and should therefore be preserved.

It is not surprising that S. 1503 reflects some of the same concerns as did the EPAA since S. 1503 and the EPAA address the same general subject matter. However, section 4(a)(2) must be interpreted in the context of the purpose of S. 1503 and the bill as a whole. It would be a mistake to interpret that particular provision in a manner which counteracts all of the committee's efforts to avoid duplicating the EPAA.

A basic motivation for S. 1503 was the committee's recognition that the nature and scope of a petroleum supply crisis is inherently unpredictable and, therefore, the President's ability to tailor his response to particular circumstances should not be circumscribed.

Given the broad flexibility granted to the President under S. 1503, it is the committee's expectation that the President would take the most limited measures necessary to address a particular crisis. As we noted in the committee report:

For example, the President could decide to implement only a crude oil sharing program or only a production allocation program. The President could implement a given program only in a certain State or region and the program could affect only one product.

If the President decided to implement only a crude oil sharing program, for example, during a severe petroleum supply shortage, it is obvious that the implementation of such a program would not meet all of the objectives of section 4(a)(2). Thus, the basic philosophy of S. 1503 of broad flexibility and minimum Government intervention in the market is inconsistent with interpreting section 4(a)(2) to mandate the adoption of any particular regulatory program, much less the comprehensive regulatory scheme developed under the EPAA.

Mr. JOHNSTON. Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Kentucky.

Mr. FORD. Mr. President, I speak today on behalf of S. 1503, the Standby Petroleum Allocation Act of 1981. I support this legislation and commend it to my colleagues as well-reasoned, prudent and necessary action to provide the Government of the United States with the clear, unambiguous authority required to protect the Nation from the consequences of a severe petroleum supply disruption.

We continue to be too dependent upon foreign oil. Recent tragic events renew our concerns regarding the stability of our sources for such oil. Yet, we have not prepared adequately for a supply emergency. The Comptroller General recognized this fact in his report of September 29, 1981, entitled "The United States Remains Unprepared for Oil Import Disruptions." In that report, GAO specifically recommended that Congress "replace the expiring EPAA authorities with a standby system to help assure oil availability during disruptions. Whatever system is chosen \* \* \* should be fully developed, tested, and maintained in readiness for future disruptions."

GAO was not alone in recognizing the need for clear authorities such as those which would be provided by S. 1503. Even the Department of Justice has recommended that such clear authorities be enacted. Thus, I believe that the need for this legislation has been established. If we fail to respond to that need, we must all bear the responsibility for the injuries which will be inflicted on the agricultural community and other essential industries, as well as homeowners and small businesses, when, as a result of a supply disruption, they are unable to obtain the fuels essential to their functioning.

As Governor of Kentucky, and as a Member of this body, I have witnessed the effects of a severe petroleum supply disruption. From those experiences, I have concluded that certainty regarding the powers of the Government to act in such a crisis is essential. With the expiration of the Emergency Petroleum Allocation Act of 1973, no such certainty exists. The vacuum created by the expiration of EPAA raises serious questions regarding the ability of the President to respond to a petroleum supply emergency and to avoid the economic dislocations and severe hardships which such an event could generate.

Under the leadership of our chairman, we on the Energy Committee have produced legislation which fills that vacuum and, while providing the President with the authorities he requires, will avoid the difficulties encountered in previous programs. By requiring the President to prepare a standby program of regulations prior to the advent of a crisis, S. 1503 assures that the confusion associated with the implementation of a program is minimized.

Moreover, it assures that any such regulation will have been constructed in a rational context rather than in the context of market chaos. By restricting

the President's pricing authority to that necessary for the effective operation of an allocation program, S. 1503 will avoid the impediments to market adjustment which existed in prior programs. Finally, by expressly limiting the duration of any such program's implementation, S. 1503 assures that a necessary and appropriate response to a severe petroleum supply disruption will not spawn another great bureaucracy which takes on a life of its own.

In summary, S. 1503 is a well-reasoned and prudent exercise in emergency preparedness. While providing essential authority to the President, it requires no more than that he be prepared to respond to a serious supply disruption. It does not tell the President when to use his authority, it only assures that if emergency action is required, then the necessary authority to act exists and that such emergency action cannot be impeded to the detriment of the Nation's interest.

I urge my colleagues to join me in supporting this essential piece of legislation.

I thank the distinguished Senator from New Jersey for allowing me to present my views.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. BRADLEY. Mr. President, I send two amendments to the desk and ask that they be printed and held at the desk.

The PRESIDING OFFICER. The amendments will be printed.

Mr. BRADLEY. Mr. President, preparation for the next oil emergency is a serious issue. Disruption in our supply of oil has grave implications for our economy, our standard of living, our military capabilities, our foreign policy, indeed our very survival. It is a serious issue and, frankly, Mr. President, the U.S. Senate is not treating it seriously.

The bill we have before us today is not the result of deep and careful thinking about how to deal with supply disruptions. It is merely an extension of the authorities that were used in the past and that have been proven to be failures. That is right. We have before us a bill that will extend the very authorities that have twice in this country caused gasoline lines. Have we all forgotten that? Have we forgotten the turmoil, the physical violence, the political panic, the economic costs of gasoline lines?

S. 1503 is guaranteed to cause gasoline lines once again. Since 1971 we have seen the problems caused by price controls and allocations, and yet what does the Senate Energy Committee bill bring to you to deal with the next disruption? Price controls and allocations.

Mr. President, is this the best we can do? Do we have to repeat the mistakes of the past? Did not the Energy Committee examine alternatives? Again, Mr. President, not very well.

I suggested an alternative in the committee that would have relied on market forces supplemented by financial protection for essential public services and the poor. Has this alternative been treated seriously by the U.S. Senate? No. One of my colleagues on the Energy Committee thought it was a good idea, but he said there were jurisdictional problems.

The guts of my alternative would have the President use an emergency tax cut and an emergency block grant to deal with the higher free market price of oil. Has the Finance Committee scheduled even 1 hour of hearings on this issue? No, it is too busy, too busy scheduling hearings on tax breaks for independent refiners.

That is why, Mr. President, I think the U.S. Senate is not treating this crucial issue of emergency preparedness seriously. We are about to consider and vote on a bill that would reauthorize the mistakes of the past without even holding hearings in the relevant committee on the principal alternative. This is unworthy of the U.S. Senate.

Some people have indeed thought about this issue carefully. Granted, those special interests which receive priority treatment under the earlier regulations now strongly advocate price controls so they can again get their allocations. However, no credible study that I am aware of has concluded that price controls helped the country as a whole. To the contrary, study after study has concluded that price controls make matters worse.

Let me read to you from the conclusions of just a few of the serious studies that have treated this subject. First, the GAO report dated September 29, 1981:

Price controls are a counterproductive strategy and GAO recommends that they not be used. Gasoline rationing also should be avoided because it is clumsy and would need a price control program to work.

That is the GAO study, dead set against price control authority.

Second. An MIT study by Robert Hall and Robert Pindyck:

The most important component of energy policy, particularly for the United States and Canada, is a commitment to the permanent elimination of price controls on energy markets.

Third. A Harvard analysis by Stephen Erle, John Pound, and Joseph Kalt:

It is vital to the proper functioning of the U.S. economy over the next turbulent decade that any formal EPAA replacement which comes out of the new Congress shed the delusions about market functions that were at the core of EPAA. Congress should recognize the economics of oil market crises and, if it sees fit, should make a major effort during 1981 to design programs based upon tax and transfer systems that will directly address the equity issues of rising oil prices. Programs must be designed that are based on the reality of the distributional issues raised by oil crises, not upon the misperceptions of the public, the media and the policy-makers. To do otherwise, to repeat the mistakes of EPAA, will only serve to create future market difficulties in the U.S. when such difficulties demonstrably need not exist. Such misdirected regulation holds the promise of ultimately harming those whom its past champions have intended to help.

Fourth. From a forthcoming book by Jim Plummer of the Electric Power Research Institute:

Price controls and allocations, done in the name of fairness, add enormously to the social costs of oil supply disruptions. They also create many other forms of unfairness—e.g., gas lines.

Fifth. The U.S. Department of Energy in a July 1981 study of emergency preparedness:

The Administration is convinced that the welfare and interests of the American people will be best served if the government follows a policy of making sure that the nation has adequate insurance in advance to ameliorate the effects of major oil supply disruptions and, in the event of a disruption, of allowing the market to do the job it does best—allocating scarce resources efficiently and effectively among competing demands. For this reason the Administration is opposed to enactment of any petroleum allocation or price control authority, including extension of the Emergency Petroleum Allocation Act.

Sixth. The Heritage Foundation:

Among the most important (lessons of the past) is the realization that in virtually all cases, the market mechanism provides the most efficient means of allocating supplies, and should therefore be relied upon during periods of curtailed imports.

Seventh. Prof. Henry Rowen of Stanford, now with the CIA:

It is especially important in an emergency for Washington officials not to be burdened with administrative controls . . . This argues strongly for a decentralized system which relies on the price system.

I could go on, Mr. President. But the point is that disinterested studies by analysts and scholars conclude that price controls are counterproductive. Most of those who now support price controls represent not the interests of the American consumer but the interests of those special interests that have received preferential treatment in the legislation.

If we approve this Energy Committee bill next Thursday, we will have failed in our responsibilities. We will be telling the President to control prices and allocate oil in the next oil emergency. Yes, we will all feel good—we will go home and tell our constituents and our special interests—especially small refiners—that we took care of them. We will tell them that we protected them from higher prices, we insured that priority activities will get the oil they need at low prices. And our constituents will be very grateful.

But come the next supply disruption, pity the man who occupies the White House. The American people will have been told by their Senators that the President has the power to hold down prices and allocate oil. They will have, as a result of that assurance, made few preparations for the emergency, because they know the President is going to take care of them: their Senators said so. Then picture the gaslines, the misallocations, the phone calls from irate constituents that will happen, just like they happened last time the Government tried to control prices and allocate oil.

President Reagan is no fool. He is an astute President and an astute politician. He has said himself that he does not want this authority. In a letter to Congressman Bud Brown on September 14 of this year, President Reagan wrote:

As the expiration date of the Emergency Petroleum Allocation Act approaches, I want you to know that I fully share your opposition to any extension of allocation and price control authority.

S. 1503 tries to give the President the allocation and price control authority he says he does not want. Administration witnesses told the Energy Committee the same thing. No wonder the President does not want it; in the letter to Congressman Brown, President Reagan goes on to say:

Experience under the existing law has taught us that rather than ensuring equity, allocation and price controls have turned minor shortages into major gas lines twice in the past seven years.

The President does not want the impossible task of trying to regulate the oil market in a major disruption. And it is an impossible task.

In an editorial last week entitled "Senate Self-Embarrassment," the Wall Street Journal found it incredible that the Senate Energy Committee would want to repeat the energy policy mistakes of the 1970's. The editors could not believe that U.S. Senators had forgotten the dismal days of gasoline lines caused by the price controls. The Journal says:

We read that the Senate Energy Committee . . . has been wasting its time approving a bill thrusting powers on the President he doesn't want. The bill would give the President authority to allocate fuel supplies and impose price controls during a "severe" oil shortage.

It is incredible after the experiences of the 1970s that there can still be people in the Senate, many of them Republicans yet, who want to repeat the energy policy mistakes made back then. It is equally unbelievable that none of these lawmakers remembers those dismal days when motorists sat in long lines, fussing and fuming, waiting to buy fuel.

Those lines were caused by the policies the committee wants to preserve as standbys. Just to go through the lesson once more, we will recall what happened back then: Price ceilings made it impossible for prices to do their supply-demand balancing job; they discouraged domestic oil production and encouraged consumption, making a temporary world market imbalance progressively worse; supply allocations aggravated the problem by freezing oil product distribution patterns at a fixed time in the past, thus providing surpluses to areas of declining demand and shortages to areas of rising demand.

Mr. President, I ask unanimous consent that the remainder of that editorial be printed in the RECORD at this point.

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

In short, the authority the Senate committee wants to preserve is a recipe for making any bad situation much worse. Under the leadership of Senator James McClure, Idaho Republican, this got through the committee by a vote of 14-2. (Actually, it was 13-4.) And the Senator, putting words in the President's mouth, insisted that the President would use the authority in any future energy "emergency."

We doubt it. Mr. Reagan is working hammer and tongs to get rid of this kind of regulatory nonsense. It would seem to us more useful for Republican Senators to help him with that job, rather than trying to perpetuate discredited ideas.

Mr. BRADLEY. Mr. President, we badly need a plan to deal with the next oil emergency. We cannot permit this

Nation to go unprepared into the coming decade of energy vulnerability.

Every Senator standing on the floor will talk about how vulnerable we are to oil supply disruption. But there is not adequate consideration of an alternative.

Disruptions in our oil supply are likely. Clearly, we see the signs of turmoil every day in the Middle East.

ORDER OF PROCEDURE

The PRESIDING OFFICER. Under the previous order, the hour of 12 noon having arrived, S. 1503 will be temporarily laid aside.

Mr. BRADLEY. I ask unanimous consent that I be given an additional 15 minutes, Mr. President.

Mr. McCLURE. Mr. President, I am prepared and will offer a unanimous-consent request. I wonder if the Senator from New Jersey might limit his remarks to some period a little less than 15 additional minutes.

Mr. BRADLEY. I would say to the chairman I would like to finish this statement. I do not know how long it will take, but I certainly think it will be less than 15 minutes, probably more like 10. I will do my best. But I feel as the sole Senator on the floor in opposition, I ought to be able to present my statement.

Mr. McCLURE. Mr. President, I understand the Senator's desire and I am trying to accommodate him. At the same time, I am trying to accommodate the unanimous-consent agreement of this Senate that we move to the next piece of legislation. There are a couple of other items of business to be conducted on this bill before moving to the other bill.

Mr. President, I ask unanimous consent that the time for the consideration of S. 1503 be extended not to exceed 20 minutes, and that the first 10 minutes of that time be allocated to the Senator from New Jersey.

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

Mr. BRADLEY. I thank the Chair. But I do not think I will need 10 minutes.

Mr. President, getting back to the issue, which is that we badly need a plan to deal with the next oil emergency, everyone who stands on the floor talks about what a crisis there is in the Middle East and what happens if we lose oil. Yet, we put in place a plan that commits us to making all the mistakes we made in the 1970's. The major point is, we must be prepared. The administration says it needs no new legislation.

I disagree with the distinguished chairman of the Energy Committee on the form of the new authorities. I agree with the Senator from Idaho that the Senate, the House, and the President ought to be on record so that the American people will know how the Federal Government intends to handle the inevitable supply disruptions.

The Energy Committee once again relies on the old EPAA price controls and allocations. The substitute which I will offer next Thursday will rely on the market to allocate oil, with financial protection for essential public services and low-income individuals.

The Senators from Idaho and Louisiana and the Senator from New Jersey agree that the administration's position of no bill is inadequate. We must do

something, but we have to have the good sense to do the right thing and to learn from the mistakes of the past.

Mr. President, what plan should we pass? I hope the Senate will recognize the seriousness of this issue and will debate the issue fully. I have grave reservations about the ability of price controls and allocations to help in an oil emergency. History shows they have made things worse, not better.

I know that some of my colleagues will want to know why I believe that the market will work during a disruption and how increased Federal revenues can be quickly recycled to help protect the economy in general and individuals in particular.

Indeed, Mr. President, I wish the Finance Committee had held hearings on this important issue. But, nonetheless, I will try to answer my colleagues' questions using the many studies that have been performed.

At the appropriate time, as I said, I will offer an amendment in the nature of a substitute that would allow market forces to work. If the only argument against that approach is that no hearings have been held, I would hope that we can have the hearings and then come back to the Senate floor.

Before we decide to go to a vote on the Energy Committee bill, I hope someone will have provided the answers to the following three questions:

Why does anyone think that the price control and allocation program of S. 1503 will work any better than they have in the past?

The burden of proof must rest on the proponents of S. 1503. That question was not answered during the committee debate.

Second, since price controls cause gasoline lines, how do the sponsors of this bill intend for the President to deal with gasoline lines?

Again, the burden of proof is on those who advocate S. 1503.

Third, since price controls on domestic oil make it cheaper to import foreign oil, do we really want to subsidize our use of oil at the expense of our allies and trading partners?

In conclusion, Mr. President, this is a serious issue and we should treat it that way. The Senate has before it a bad bill, a bill that repeats past mistakes. The President does not want this bill and has said so publicly. Alternatives exist that have not been fully examined by the relevant committees because there has not been time to allocate a hearing to this approach that I have offered.

The debate on this issue should be full, in my view, and detailed.

As the chairman of the committee knows, I contemplated making sure that we were able to debate this issue fully by refraining from making a time agreement. But, indeed, we have reached a time agreement of sorts, and the vote will occur next Thursday, unless the 3 hours which have been allocated to my amendments have not been used up, at which point it could be postponed.

I hope we will find by next Thursday that some of my colleagues have looked at the debate today and have focused on the issue of whether we are going to re-

peat the mistakes of the past. After all, we are in a new beginning. The question is whether we are going to repeat the mistakes of the past or whether we are indeed going to strike out on a new beginning and say that we do think that the market allocates oil most efficiently, and that Government's proper role is to protect those who would be hardest hit by the higher prices of the market. The Government can protect those poor individuals, the middle-income individuals, through tax cuts and social security payments, and can assure Governors that their fishermen or farmers will be taken care of by block grants.

Mr. President, that is the issue. There is an alternative. I hope the Senate next week will face up to the fact that there is a choice.

UP AMENDMENT NO. 519

(Purpose: Committee technical amendment)

Mr. McCLURE. Mr. President, I send to the desk a technical amendment on behalf of the committee and ask for its immediate consideration.

The PRESIDING OFFICER (Mr. KASTEN). The amendment will be stated.

The bill clerk read as follows:

The Senator from Idaho (Mr. McCLURE) proposes an unprinted amendment numbered 519.

Mr. McCLURE. I ask unanimous consent that further reading be dispensed with.

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

The amendment is as follows:

On page 7, line 24, insert before the period, "or (2) to meet obligations of the United States under the international energy program" and, on line 23, insert "(1)" before "in".

On page 8, line 9, delete the semicolon and insert in lieu thereof a comma.

On page 9, line 10, delete "a" and insert in lieu thereof "the" and, on line 11, after "regulation" insert ", promulgated pursuant to this section."

On page 10, line 12, delete "service" and insert in lieu thereof "services".

On page 11, line 4, insert a comma before "and" and, on line 11, strike "mineral" and insert in lieu thereof "minerals".

On page 12, line 1, delete "pursuant to subsection (a)" and insert ", or any regulation or order issued under this Act."

On page 13, line 14, delete from "he" through line 17 and insert in lieu thereof "the President again complies with the requirements of subsection (a)(1)".

On page 15, line 15, insert "fuel" before "oil".

On page 16, line 9, insert "regulation or" before "order" and, on line 12, paragraph before "(A)" and, on line 20, paragraph before "(B)".

On page 17, line 17, strike "the" wherever it appears and insert in lieu thereof "any" and, on line 18, strike "any".

Mr. McCLURE. Mr. President, this is a technical amendment which has been agreed to on both sides. It merely modifies the first committee amendment of S. 1503, the Standby Petroleum Allocation Act.

Mr. JOHNSTON. Mr. President, the distinguished Senator is correct. We have no objections.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP 519) was agreed to.

Mr. McCURE. Mr. President, I ask unanimous consent that the first committee amendment as amended by the technical amendment on behalf of the Committee on Energy and Natural Resources be treated as original text for the purpose of further amendment.

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

UP AMENDMENT NO. 520

Mr. McCURE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk read as follows:

The Senator from Idaho (Mr. McCURE) proposes an unprinted amendment numbered 520.

Mr. McCURE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 19, after line 24, add a new section as follows:

SEC. 14. Nothing in this Act shall be construed to require that any action taken under the authority of this Act, including allocation of, or the imposition of price controls on, crude oil, residual fuel oil or any refined petroleum product, be taken in a manner which would have been required under the Emergency Petroleum Allocation Act of 1973, as amended, had that Act not expired.

Mr. McCURE. Mr. President, in my opening statement on S. 1503, I explained in detail the meaning of the authority granted to the President under section 4. Furthermore, in a colloquy with Senator JOHNSTON, I elaborated on the intended meaning of section 4(a)(2). While I do not believe there should be any confusion or misunderstanding regarding the meaning of section 4(a)(2), concern has been expressed that section 4(a)(2), read in conjunction with certain portions of the committee report, could conceivably be interpreted to require the President to implement the very same regulatory programs that had been implemented under the Emergency Petroleum Allocation Act of 1973 (EPAA).

Mr. President, as I discussed earlier as floor manager, it was not the intention of the Committee on Energy and Natural Resources to reincarnate the EPAA and its regulatory programs through S. 1503. I do not believe that the similarity between section 4(a)(2) of the bill and section 4(b)(1) of the EPAA would have that effect as a matter of law.

However, in order to avoid any uncertainty regarding interpretations to the contrary, I wish to offer a perfecting amendment to the bill. This amendment would negate any argument that section 4(a)(2) or any other section of the bill could be interpreted to compel the President to recreate the same regulatory programs that existed under the EPAA.

Mr. President, section 4(a)(2) requires merely that, in implementing the standby regulation, the President should, to the maximum extent practicable, provide for the specified consid-

erations. Section 4(a)(2) does not require the President to design the standby regulation in a particular manner nor does it require the President to implement any particular regulatory program. Adoption of this amendment would insure that the language of the bill plainly reflects the committee's intent that the President have the flexibility to tailor any implementation of the standby regulation to the scope, duration, and nature of a shortage.

The amendment, in plain fact, is a legislative restatement of the committee's consensus intent as expressed by myself and my colleagues throughout the course of our business meetings on this bill. Consequently, the amendment only technically conforms the bill to that oft-stated and well-known committee intent. I have discussed this amendment with Senator JACKSON, Senator JOHNSTON, Senator FORD, and other Members, and I believe we all agree on the thrust of my remarks on the committee's intent. I urge the adoption of the amendment.

Mr. McCURE. Mr. President, I yield to the Senator from Louisiana.

Mr. JOHNSTON. Mr. President, this amendment is in line with the conversations and the statement of the distinguished chairman and myself earlier in speaking on this bill. It simply means we do not necessarily pick up all the baggage of EPAA by adopting this bill. It is very consistent with the intent of the minority and the majority. I have no objection.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 520) was agreed to.

Mr. McCURE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. JOHNSTON. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate temporarily lay aside S. 1503, the pending measure, and resume consideration of that measure at 9:30 a.m., Thursday, October 29.

The PRESIDING OFFICER. Is there objection?

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object. Would the distinguished majority leader include in his request that my amendment, which has a limitation of 2 hours, be pending at that point? I should be willing to cut the time to 40 minutes equally divided. That makes sure that we get off to a running start that day.

Mr. BAKER. If ever I heard a good deal, that is a good deal.

Mr. President, I include in my request that at 9:30 a.m., when the Senate resumes the consideration of the standby petroleum allocation bill, the amendment of the distinguished minority leader be the pending amendment and that there be a time limitation on that of 40 minutes equally divided and controlled.

Mr. McCURE. Reserving my right to object, and I shall not, it is my understanding that that amendment is the amendment that was identified in the previous unanimous-consent request.

Mr. ROBERT C. BYRD. Yes, it is, Mr. President.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request of the majority leader? Without objection, it is so ordered.

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS, 1982

Mr. BAKER. Mr. President, I ask that the Senate proceed to consider the Interior appropriations bill, H.R. 4035.

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

The bill will be stated.

The bill clerk read as follows:

A bill (H.R. 4035) making appropriations for the Department of the Interior and related agencies for the fiscal year ending September 30, 1982, and for other purposes.

The Senate proceeded to consider the bill which had been reported from the Committee on Appropriations with amendments.

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

Mr. McCURE. Mr. President, a parliamentary inquiry. There is no time limit on this bill, is there?

The PRESIDING OFFICER. The Senator is correct. There is no time limit on this bill.

Mr. McCURE. Mr. President, given the unique budget situation we have all dealt with this year, it should come as no surprise that the Interior and Related Agencies Subcommittee—as well as the full Appropriations Committee—faced extremely difficult decisions in marking up the fiscal 1982 appropriations bill. It took the cooperation of all committee members to help us comply not only with the letter but also the spirit of the Omnibus Budget Reconciliation Act of 1981, as well as the spending controls we are attempting to impose on the entire Federal budget.

As reported by the Appropriations Committee, the fiscal year 1982 Interior and related agencies appropriations bill has trimmed nearly \$300 million off the Department of the Interior's fiscal 1981 budget. Excluding the strategic petroleum reserve, we have finally halted the overwhelming growth of the Department

of Energy while maintaining those programs which have been and should continue to be most beneficial to the people of this country. Overall, this bill is below the section 302 allocation in budget authority as established in the recently passed Omnibus Budget Reconciliation Act. Further, when outlays relating to the SPRO are adjusted in compliance with congressional direction in the reconciliation bill, the appropriations bill is \$3.469 billion below the President's budget.

Despite the fact that we have made tremendous strides in achieving some fiscal restraint in this bill, and are technically in compliance with the budget, it would be wrong to suggest we are also without problems. In fact, we face the possibility of a Presidential veto.

As indicated by the Republican Policy Committee's legislative notice, the administration is opposed to this bill because it is \$200 million above the Presi-

dent's request for budget authority and some \$76 million over the President for outlays. These numbers include the off-budget appropriation for the strategic petroleum reserve which, although not technically included in the budget, nevertheless reflects Government spending and therefore affects the Federal deficit, the credit markets, and the economy generally.

In addition, this committee will, as always, be faced with a pay and fire-fighting supplemental next spring totaling about \$500 million. While such an increase can barely be accommodated by the budget outlays allocated to the subcommittee, it will clearly push the subcommittee far in excess of its allocation of budget authority.

Since originally proposed to the subcommittee in June, this bill has sustained add-ons of nearly \$300 million. Let me emphatically state that we are at our ceiling—there is simply no more room

for add-ons without corresponding decreases. This is just the third of 13 annual appropriation bills which this body will be considering during the next few weeks. Mr. President, the true test of fiscal responsibility will come with the passage of these bills, and that test begins today. Each and every one of you can assist us by showing restraint so we can meet the fiscal goals we have set for ourselves. If not, everything we have done so far in this Congress will be for naught and we may as well abandon the congressional budget process. I think that would be a drastic mistake.

Mr. President, I ask unanimous consent to have printed in the RECORD a table comparing appropriations recommended in the bill with those of the preceding fiscal year and with the House allowances and budget estimates.

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

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1981 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1982

[Amounts in dollars]

Item	1981 appropriation	Budget estimate	House allowance	Committee recommendation	Increase (+) or decrease (-) compared with—		
					1981 appropriation	Budget estimate	House allowance
<b>TITLE I—DEPARTMENT OF THE INTERIOR</b>							
<b>LAND AND WATER RESOURCES</b>							
<b>Bureau of Land Management</b>							
Management of lands and resources	406,730,000	374,631,000	295,789,000	377,531,000	-29,199,000	+2,900,000	+(81,742,000)
Acquisition, construction, and maintenance	14,768,000	13,626,000	12,720,000	12,845,000	-9,123,000	-781,000	+125,000
Land acquisition		307,000	1,137,000	2,300,000	+2,300,000	+1,933,000	+1,163,000
General administration			82,638,000				-82,638,000
Payments in lieu of taxes	103,000,000	45,000,000		105,000,000	+2,000,000	+60,000,000	+105,000,000
Oregon and California grant lands (indefinite, appropriation of receipts)	57,500,000	60,105,000	54,988,000	54,988,000	-2,512,000	-5,117,000	
Range improvements (indefinite, appropriation of receipts)	13,500,000	13,500,000	13,500,000	13,500,000			
Service charges, deposits, and forfeitures (indefinite, special fund)	9,600,000	10,000,000	10,000,000	10,000,000	+400,000		
Miscellaneous trust funds (indefinite)	100,000	100,000	100,000	100,000			
<b>Total, Bureau of Land Management</b>	<b>605,198,000</b>	<b>517,269,000</b>	<b>470,872,000</b>	<b>576,264,000</b>	<b>-28,934,000</b>	<b>+58,995,000</b>	<b>+105,392,000</b>
<b>Office of Water Research and Technology</b>							
Salaries and expenses	24,585,000		9,755,000		-24,585,000		-9,755,000
<b>Office of Water Policy</b>							
Salaries and expenses				10,118,000	+10,118,000	+10,118,000	+10,118,000
<b>Total, Land and Water Resources</b>	<b>629,783,000</b>	<b>517,269,000</b>	<b>480,627,000</b>	<b>586,382,000</b>	<b>-43,401,000</b>	<b>+69,113,000</b>	<b>+105,755,000</b>
<b>FISH AND WILDLIFE AND PARKS</b>							
<b>U.S. Fish and Wildlife Service</b>							
Resource management	233,430,000	221,600,000	207,235,000	221,628,000	-11,802,000	+28,000	+14,393,000
Construction and anadromous fish	35,397,000	7,240,000	9,475,000	6,611,000	-28,786,000	-629,000	-2,864,000
National Wildlife Refuge Fund	8,500,000				+8,500,000		
Migratory bird conservation account (definite, repayable advance)	1,250,000		1,250,000	1,250,000		+1,250,000	
Land acquisition		1,139,000	18,039,000	8,000,000	-8,000,000	+6,861,000	-10,039,000
General administration			29,208,000				-29,208,000
<b>Total, U.S. Fish and Wildlife Service</b>	<b>278,577,000</b>	<b>229,979,000</b>	<b>265,207,000</b>	<b>237,489,000</b>	<b>-41,088,000</b>	<b>+7,510,000</b>	<b>-27,718,000</b>
<b>National Park Service</b>							
Operation of the national park system	459,041,000	485,487,000	527,606,000	541,382,000	+82,341,000	+55,895,000	+13,776,000
National recreation and preservation	15,980,000	13,088,000	13,088,000	12,688,000	-3,292,000	-400,000	-400,000
Urban park and recreation fund	1,000,000		10,000,000		-1,000,000		-10,000,000
Land and Water Conservation Fund (indefinite)	288,593,000				-288,593,000		
(Increase in limitation)	(413,000)				(-413,000)		
Historic preservation fund	26,000,000	4,700,000	26,500,000	26,500,000	+500,000	+21,800,000	
Construction	43,367,000	60,721,000	108,771,000	108,721,000	+65,354,000	+48,000,000	-50,000
Construction (trust fund) (rescission)	-12,000,000				+12,000,000		
Land acquisition and State assistance		34,954,000	100,468,000	176,108,000	+176,108,000	+141,154,000	+75,640,000
John F. Kennedy Center for the Performing Arts	4,541,000	4,315,000	4,315,000	4,315,000			
Park restoration and improvement		105,000,000			-226,000	-105,000,000	
General administration			31,465,000				-31,465,000
<b>Total, National Park Service</b>	<b>826,522,000</b>	<b>708,265,000</b>	<b>822,213,000</b>	<b>869,714,000</b>	<b>+43,192,000</b>	<b>+161,449,000</b>	<b>+47,501,000</b>
<b>Total, Fish and Wildlife and Parks</b>	<b>1,105,099,000</b>	<b>938,244,000</b>	<b>1,087,420,000</b>	<b>1,107,203,000</b>	<b>+2,104,000</b>	<b>+168,959,000</b>	<b>+19,783,000</b>

Item	1981 appropriation	Budget estimate	House allowance	Committee recommendation	Increase (+) or decrease (-) compared with—		
					1981 appropriation	Budget estimate	House allowance
<b>ENERGY AND MINERALS</b>							
Geological Survey							
Surveys, investigations, and research.....	516,201,000	529,527,000	535,561,000	529,869,000	+13,668,000	+342,000	-5,692,000
Exploration of national petroleum reserve in Alaska.....	107,001,000	2,600,000	2,600,000	2,600,000	-104,401,000		
Digital cartography.....		6,034,000				-6,034,000	
<b>Total, Geological Survey.....</b>	<b>623,202,000</b>	<b>538,161,000</b>	<b>538,161,000</b>	<b>532,469,000</b>	<b>-90,733,000</b>	<b>-5,692,000</b>	<b>-5,692,000</b>
Bureau of Mines							
Mines and minerals.....	142,319,000	141,910,000	143,460,000	151,539,000	+9,220,000	+9,629,000	+8,079,000
Office of Surface Mining Reclamation and Enforcement							
Regulation and technology.....	89,679,000	64,568,000	66,033,000	64,418,000	-25,261,000	-150,000	-1,615,000
Abandoned mine reclamation fund (definite, trust fund).....	82,485,000	115,227,000	115,227,000	114,227,000	+31,742,000	-1,000,000	-1,000,000
<b>Total, Office of Surface Mining Reclamation and Enforcement.....</b>	<b>172,164,000</b>	<b>179,795,000</b>	<b>181,260,000</b>	<b>178,645,000</b>	<b>+6,481,000</b>	<b>-1,150,000</b>	<b>-2,615,000</b>
<b>Total, Energy and Minerals.....</b>	<b>937,685,000</b>	<b>859,866,000</b>	<b>862,881,000</b>	<b>862,653,000</b>	<b>-75,032,000</b>	<b>+2,787,000</b>	<b>-228,000</b>
<b>INDIAN AFFAIRS</b>							
Bureau of Indian Affairs							
Operation of Indian Programs.....	838,140,000	822,997,000	797,395,000	830,972,581	-7,167,419	+7,975,581	+33,577,581
Construction.....	100,182,000	105,942,000	112,619,000	77,717,000	-22,465,000	-28,225,000	-34,902,000
Road construction.....	48,625,000	50,492,000	48,800,000	50,816,810	+2,191,810	+324,810	+2,016,810
General administration.....			63,512,000				-63,512,000
Alaska native fund.....	30,000,000				-30,000,000		
Trust funds (definite).....	3,000,000	3,000,000	3,000,000	3,000,000			
Trust funds (indefinite).....	25,000,000	25,000,000	25,000,000	25,000,000			
Eastern Indians Land Claims Settlement.....	81,500,000				-81,500,000		
Revolving fund for loans (limitation on direct loans).....		(14,770,000)	(14,770,000)	(14,770,000)	(+14,770,000)		
Indian loan guaranty and insurance fund (limitation on guaranteed loans).....		(27,630,000)	(27,630,000)	(27,630,000)	(+27,630,000)		
<b>Total, Bureau of Indian Affairs.....</b>	<b>1,126,447,000</b>	<b>1,007,431,000</b>	<b>1,050,326,000</b>	<b>987,506,391</b>	<b>-138,940,609</b>	<b>-19,924,609</b>	<b>-62,819,609</b>
Rangeland improvements (special fund, indefinite).....	6,800,000	6,500,000	6,500,000	7,500,000	+700,000	+1,000,000	+1,000,000
Miscellaneous trust funds.....		90,000	90,000	90,000	+90,000		
<b>Total, Forest Service.....</b>	<b>1,698,396,000</b>	<b>1,652,447,000</b>	<b>1,701,395,000</b>	<b>1,645,437,000</b>	<b>-52,959,000</b>	<b>-7,010,000</b>	<b>-55,958,000</b>
<b>DEPARTMENT OF ENERGY</b>							
Alternative fuels production (rescission).....	-1,175,000,000				+1,175,000,000		
Fossil energy research and development.....	659,917,000	417,340,000	463,750,000	431,990,000	-227,927,000	+14,650,000	-31,760,000
Fossil energy construction.....	333,900,000	18,000,000		4,000,000	-329,900,000	-14,000,000	+4,000,000
Naval petroleum and oil shale reserves.....	216,313,000	230,963,000	222,023,000	222,463,000	+6,150,000	-8,500,000	+440,000
Energy conservation.....	711,675,000	195,000,000	203,890,000	130,340,000	-581,335,000	-64,660,000	-73,550,000
(Limitation on guaranteed loans).....		(6,000,000)				(-6,000,000)	
Economic regulation.....	165,712,000	28,500,000	32,000,000	17,100,000	-148,612,000	-11,400,000	-14,900,000
Strategic petroleum reserve.....	2,790,507,000	3,883,408,000	3,383,408,000	199,408,000	-2,591,099,000	-3,684,000,000	-3,184,000,000
Energy Information Administration.....	90,417,000	80,000,000	84,986,000	79,851,000	-10,566,000	-149,000	-5,135,000
Biomass Energy Development:							
(Limitation on direct loans).....		(80,000,000)				(-80,000,000)	
(Limitation on guaranteed loans).....		(35,000,000)				(-35,000,000)	
<b>Total, Department of Energy.....</b>	<b>3,793,441,000</b>	<b>4,853,211,000</b>	<b>4,390,057,000</b>	<b>1,085,152,000</b>	<b>-2,708,289,000</b>	<b>-3,768,059,000</b>	<b>-3,304,905,000</b>
<b>DEPARTMENT OF THE TREASURY</b>							
Energy security reserve (rescission).....	-469,500,000				+469,500,000		
<b>DEPARTMENT OF HEALTH AND HUMAN RESOURCES</b>							
Health Services Administration							
Indian health services.....	606,795,000	626,819,000	629,484,000	623,069,000	+16,274,000	-3,750,000	-6,415,000
Indian health facilities.....	83,053,000	8,100,000	46,739,000	46,617,000	-36,436,000	+38,517,000	-122,000
<b>Total, Indian health.....</b>	<b>689,848,000</b>	<b>634,919,000</b>	<b>676,223,000</b>	<b>669,686,000</b>	<b>-20,162,000</b>	<b>+34,767,000</b>	<b>-6,537,000</b>
<b>DEPARTMENT OF EDUCATION</b>							
Office of Elementary and Secondary Education							
Indian education.....	81,680,000	81,096,000	82,096,000	81,096,000	-584,000		-1,000,000
<b>NAVAJO AND HOPI INDIAN RELOCATION COMMISSION</b>							
Salaries and expenses.....	2,737,000	15,061,000	15,051,000	4,981,000	+2,244,000	-10,080,000	-10,070,000
<b>SMITHSONIAN INSTITUTION</b>							
Salaries and expenses.....	122,478,000	135,086,000	136,374,000	132,106,000	+9,628,000	-2,980,000	-4,268,000
Museum programs and related research (special foreign currency program).....	3,650,000	5,500,000	4,500,000	5,250,000	+1,600,000	-250,000	+750,000
Construction and improvements, National Zoological Park.....	3,290,000	7,150,000	1,150,000	1,650,000	-1,640,000	-5,500,000	+500,000
Restoration and renovation of buildings.....	7,539,000	7,500,000	8,500,000	7,500,000	-39,000		-1,000,000
Construction.....	5,000,000	1,000,000	1,000,000	1,000,000	-4,000,000		
<b>Subtotal.....</b>	<b>141,957,000</b>	<b>156,236,000</b>	<b>151,524,000</b>	<b>147,506,000</b>	<b>+5,549,000</b>	<b>-8,730,000</b>	<b>-4,018,000</b>

## COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1981 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1982—Continued

[Amounts in dollars]

Item	1981 appropriation	Budget estimate	House allowance	Committee recommendation	Increase (+) or decrease (-) compared with—		
					1981 appropriation	Budget estimate	House allowance
Salaries and expenses, National Gallery of Art.....	24,651,000	32,777,000	31,777,000	30,067,000	+5,416,000	-2,710,000	-1,710,000
Salaries and expenses, Woodrow Wilson International Center for Scholars.....	1,830,000	2,260,000	2,260,000	1,903,000	+73,000	-357,000	-357,000
Total, Smithsonian Institution.....	168,438,000	191,273,000	185,561,000	179,476,000	+11,038,000	-11,797,000	-6,085,000
<b>NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES</b>							
National Endowment for the Arts							
Salaries and expenses.....	114,195,000	57,835,000	113,635,000	79,035,000	-35,160,000	+21,200,000	-34,600,000
Administrative expenses.....	11,900,000	12,665,000	11,365,000	10,265,000	-1,635,000	-2,400,000	-1,100,000
Subtotal.....	126,095,000	70,500,000	125,000,000	89,300,000	-36,795,000	+18,800,000	-35,700,000
Matching grants (indefinite).....	32,700,000	17,500,000	32,500,000	30,000,000	-2,700,000	+12,500,000	-2,500,000
Total, National Endowment for the Arts.....	158,795,000	88,000,000	157,500,000	119,300,000	-39,495,000	+32,300,000	-38,200,000
National Endowment for the Humanities							
Salaries and expenses.....	106,522,000	59,000,000	100,087,000	77,000,000	-29,522,000	+18,000,000	-23,087,000
Administrative expenses.....	11,277,000	11,000,000	12,000,000	11,000,000	-277,000		-1,000,000
Subtotal.....	117,799,000	70,000,000	112,087,000	88,000,000	-29,799,000	+18,000,000	-24,087,000
Matching grants (indefinite).....	33,500,000	15,000,000	31,974,000	25,700,000	-7,800,000	+10,700,000	-6,274,000
Total, National Endowment for the Humanities.....	151,299,000	85,000,000	144,061,000	113,700,000	-37,599,000	+28,700,000	-30,361,000
Institute of Museum Services.....	12,857,000	220,000	14,420,000	8,400,000	-4,457,000	+8,180,000	-6,020,000
Total, National Foundation on the Arts and the Humanities.....	322,951,000	173,220,000	315,981,000	241,400,000	-81,551,000	+68,180,000	-74,581,000
<b>COMMISSION OF FINE ARTS</b>							
Salaries and expenses.....	298,000	173,000	303,000	303,000	+5,000	+130,000	
<b>ADVISORY COUNCIL ON HISTORIC PRESERVATION</b>							
Salaries and expenses.....	1,590,000	1,865,000	1,632,000	1,632,000	+42,000	-233,000	
<b>NATIONAL CAPITAL PLANNING COMMISSION</b>							
Salaries and expenses.....	2,400,000	2,381,000	2,371,000	2,361,000	-39,000	-20,000	-10,000
<b>FRANKLIN DELANO ROOSEVELT MEMORIAL COMMISSION</b>							
Salaries and expenses.....	30,000	40,000	30,000	30,000		-10,000	
<b>PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION</b>							
Salaries and expenses.....	2,443,000	2,340,000	2,340,000	2,340,000	-103,000		
Land acquisition and development fund (borrowing authority).....	15,000,000	2,500,000	2,500,000	2,500,000	-12,500,000		
Public development.....	14,169,000	14,200,000	14,200,000	14,200,000	+31,000		
Total, Pennsylvania Avenue Development Corporation.....	31,612,000	19,040,000	19,040,000	19,040,000	-12,572,000		
<b>FEDERAL INSPECTOR FOR THE ALASKA GAS PIPELINE</b>							
Permitting and enforcement.....	21,038,000	36,568,000	28,568,000	28,568,000	+7,530,000	-8,000,000	
<b>HOLOCAUST MEMORIAL COUNCIL</b>							
Salaries and expenses.....	722,000	800,000	800,000	770,000	+48,000	-30,000	-30,000
Total, title II, new budget (obligational) authority, related agencies.....	6,345,681,000	7,662,094,000	7,419,108,000	3,959,932,000	-2,385,749,000	-3,702,162,000	-3,459,176,000
Consisting of:							
Appropriations.....	6,330,681,000	7,659,594,000	7,416,608,000	3,969,932,000	-2,360,749,000	-3,689,662,000	-3,446,676,000
Definite appropriations.....	6,256,481,000	7,619,513,000	7,344,553,000	3,886,151,000	-2,370,330,000	-3,733,362,000	-3,458,402,000
Indefinite appropriations.....	74,200,000	40,081,000	72,055,000	76,781,000	+2,581,000	+36,700,000	+4,726,000
Borrowing authority.....	15,000,000	2,500,000	2,500,000	2,500,000	-12,500,000		
<b>RECAPITULATION</b>							
Total, new budget (obligational) authority, all titles.....	10,419,555,000	11,216,620,000	11,139,727,000	7,747,174,391	-2,672,380,609	-3,469,445,609	-3,392,552,609
Consisting of:							
Appropriations.....	10,404,555,000	11,214,120,000	11,137,227,000	7,757,174,391	-2,647,380,609	-3,456,945,609	-3,380,052,609
Definite appropriations.....	(9,924,528,000)	(11,062,334,000)	(10,958,584,000)	(7,556,687,391)	(-2,367,874,609)	(-3,505,646,609)	(-3,401,896,609)
Indefinite appropriations.....	(380,893,000)	(50,081,000)	(82,055,000)	(74,281,000)	(-306,612,000)	(+24,200,000)	(-8,774,000)
Borrowing authority.....	15,000,000	2,500,000	2,500,000	2,500,000	-12,500,000		
(Limitation on direct loans).....		(94,770,000)	(14,770,000)	(14,770,000)	(+14,770,000)	(-80,000,000)	
(Limitation on guaranteed loans).....		(99,630,000)	(27,630,000)	(27,630,000)	(+27,630,000)	(-72,000,000)	



Item	1981 appropriation	Budget estimate	House allowance	Committee recommendation	Increase (+) or decrease (-) compared with—		
					1981 appropriation	Budget estimate	House allowance
<b>TITLE I—DEPARTMENT OF THE INTERIOR</b>							
Bureau of Land Management	605,198,000	517,269,000	470,872,000	576,264,000	-28,934,000	+58,995,000	+105,392,000
Office of Water Research and Technology	24,585,000		9,755,000		-24,585,000		-9,755,000
Office of Water Policy				10,118,000	+10,118,000		+10,118,000
United States Fish and Wildlife Service	278,577,000	229,979,000	265,207,000	237,489,000	-41,088,000	+7,510,000	-27,718,000
National Park Service	826,522,000	708,265,000	822,213,000	869,714,000	+43,192,000	+161,449,000	+47,501,000
Geological Survey	623,202,000	538,161,000	538,161,000	532,468,000	-90,733,000	-5,692,000	-5,692,000
Bureau of Mines	142,319,000	141,910,000	143,460,000	151,539,000	+9,200,000	+9,629,000	+8,079,000
Office of Surface Mining Reclamation and Enforcement	172,164,000	179,795,000	181,260,000	178,645,000	+6,481,000	-1,150,000	-2,615,000
Bureau of Indian Affairs	1,126,447,000	1,007,431,000	1,050,326,000	987,506,391	-138,940,609	-19,924,609	-62,819,609
Territorial Affairs	172,437,000	153,354,000	171,401,000	167,430,000	-5,007,000	+14,076,000	-3,971,000
Office of the Solicitor	17,407,000	19,667,000	17,000,000	19,667,000	+2,260,000		+2,667,000
Office of the Secretary	85,016,000	58,695,000	50,964,000	56,401,000	-28,615,000	-2,294,000	+5,437,000
<b>Total, Title I—Department of the Interior</b>	<b>4,073,874,000</b>	<b>3,554,526,000</b>	<b>3,720,619,000</b>	<b>3,787,242,391</b>	<b>-386,631,609</b>	<b>+232,716,391</b>	<b>+66,623,391</b>
<b>TITLE II—RELATED AGENCIES</b>							
Forest Service	1,698,396,000	1,652,447,000	1,701,395,000	1,645,437,000	-52,959,000	-7,010,000	-55,958,000
Department of Energy	3,793,441,000	4,853,211,000	4,390,057,000	1,085,152,000	-2,708,289,000	-3,768,059,000	-3,304,905,000
Energy Security Reserve	-469,500,000				+469,500,000		
Indian Health	689,848,000	634,919,000	676,223,000	669,686,000	-20,162,000	+34,767,000	-6,537,000
Indian Education	81,680,000	81,096,000	82,096,000	81,096,000	-584,000		-1,000,000
Navajo and Hopi Indian Relocation Commission	2,737,000	15,061,000	15,051,000	4,981,000	+2,244,000	-10,080,000	-10,070,000
Smithsonian	141,957,000	156,236,000	151,524,000	147,506,000	+5,549,000	-8,730,000	-4,018,000
National Gallery of Art	24,651,000	32,777,000	31,777,000	30,067,000	+5,416,000	-2,710,000	-1,710,000
Woodrow Wilson International Center for Scholars	1,830,000	2,260,000	2,260,000	1,903,000	+73,000	-357,000	-357,000
National Endowment for the Arts	158,795,000	88,000,000	157,500,000	119,300,000	-39,495,000	+31,300,000	-38,200,000
National Endowment for the Humanities	151,298,000	85,000,000	144,061,000	113,700,000	-37,599,000	+28,700,000	-30,361,000
Institute of Museum Services	12,857,000	220,000	14,420,000	8,400,000	-4,457,000	+8,180,000	-6,020,000
Commission of Fine Arts	298,000	173,000	303,000	303,000	+5,000	+130,000	
Advisory Council on Historic Preservation	1,590,000	1,865,000	1,632,000	1,632,000	+42,000	-233,000	
National Capital Planning Commission	2,400,000	2,381,000	2,371,000	2,361,000	-39,000	-20,000	-10,000
Franklin Delano Roosevelt Memorial Commission	30,000	40,000	30,000	30,000			
Pennsylvania Avenue Development Corporation	31,612,000	19,040,000	19,040,000	19,040,000	-12,572,000		
Federal Inspector for the Alaska Gas Pipeline	21,038,000	36,568,000	28,568,000	28,568,000	+7,530,000	-8,000,000	
Holocaust Memorial Council	722,000	800,000	800,000	770,000	+48,000	-30,000	-30,000
<b>Total, Title II—Related Agencies</b>	<b>6,345,681,000</b>	<b>7,662,094,000</b>	<b>7,419,108,000</b>	<b>3,959,932,000</b>	<b>-2,385,749,000</b>	<b>-3,702,162,000</b>	<b>-3,459,176,000</b>
<b>Grand total</b>	<b>10,419,555,000</b>	<b>11,216,620,000</b>	<b>11,139,727,000</b>	<b>7,747,174,391</b>	<b>-2,672,380,609</b>	<b>-3,469,445,609</b>	<b>-3,392,552,609</b>
<b>Total mandatory and discretionary</b>	<b>10,419,555,000</b>	<b>11,216,620,000</b>	<b>11,139,727,000</b>	<b>7,759,674,391</b>	<b>-2,659,880,609</b>	<b>-3,456,945,609</b>	<b>-3,380,052,609</b>
Mandatory	(99,100,000)	(101,705,000)	(96,588,000)	(96,588,000)	(-2,512,000)	(-5,117,000)	
Discretionary	(10,320,455,000)	(11,114,915,000)	(11,043,139,000)	(7,650,586,391)	(-2,657,368,609)	(-3,464,328,609)	(-3,392,552,609)

Mr. McCLURE. Mr. President, let me at this time also take the opportunity to suggest one other problem that this committee has faced:

We were prepared to report the bill and did so prior to the August recess. The schedule at that time did not permit us to come to the floor with the bill for floor consideration before the August recess.

It is now history with which everyone is familiar, but during the period following our recess in early August the economic assumptions have been questioned, the economic predictions have been discussed, and the concern for the future movement of budgetary balances has increased. The financial markets have not responded as quickly and readily as many had hoped. Interest rates remain abnormally high. The spread between the rate of inflation and the rate of prime interest rates has increased rather than diminished, and has led to what has become widely discussed as the second round of budget cutting that followed in September. We have had the requests for these cuts submitted to Congress and to the Appropriations Committee.

The full Appropriations Committee has requested that this subcommittee and this appropriations bill accommodate about \$100 million in further budget outlay reductions.

We have tried to accommodate those requests and have been working for the last several weeks trying to get the data from the administration, both from the administrative agencies and from the Office of Management and Budget to sustain and support the cut requests.

Yesterday the Appropriations Com-

mittee met to deal with some further budget cuts that were entailed in matters still pending before that committee, but this bill had already been reported and was not pending before the committee. Further, we had not had an opportunity for a subcommittee meeting prior to that time and did not feel it appropriate or wise to attempt to take further cuts to the committee for the ratification by the Appropriations Committee so that they might be adopted on the floor as committee modifications.

This morning we had a meeting of the subcommittee and went through the list of recommendations which have been made by the staff and approved by myself which total approximately \$165 million in budget authority and \$116 million in budget outlay reductions.

There was sparse attendance at this subcommittee meeting, and I did not think it was appropriate to ask that those recommendations as presented to the subcommittee and acquiesced to by the subcommittee members should be brought to the floor as subcommittee recommendations. And there was, of course, no opportunity to run those recommendations from subcommittee through the full committee to be ready for consideration here today as Appropriations Committee recommendations.

It would be my hope, however, that either today or on Monday those recommendations thus cleared through the subcommittee in response to the full committee's request would be treated en bloc, included in the bill, and then treated as original text for the purpose of further amendment just as they would have been in the ordinary procedures

followed by the subcommittee and the full committee in presenting a bill to the floor.

I am advised that not all Members have had the opportunity, of course, to see what that list is. Certainly, not every member of the Appropriations Committee has, let alone every Member of the full Senate. There may be an objection to that process. It will be my intention at the very least to include those proposals in the Record today even if they are not adopted, so that all Members of the Senate may have notice of what is pending before the Senate so that on Monday no one is taken by surprise as to what is suggested by the subcommittee in order to meet the new budgetary goals which have been established and adopted by the Appropriations Committee.

At the appropriate time, I will send those to the desk so that they may be printed, if indeed we have not by that time arrived at the point of a unanimous consent to accept these en bloc so that they may be treated in the nature of original text for the purpose of further amendment.

Mr. President, it is my hope that all Members and their staffs will analyze carefully this latest group of further budgetary reductions occasioned by the budgetary strictures that face all of us so that they may consider the wisdom or lack of wisdom in the suggestion, and also whether or not they think there are other alternatives. If they desire to substitute a different cut for something that has occurred here, please be prepared to do so.

But I wish to again reiterate what I said in my opening statement with re-

spect to the bill, that it is extremely tight. It is already against ceilings, ceilings that have been adopted by vote of the entire Congress and imposed upon us by the Appropriations Committee in dealing with the further budgetary cuts proposed in September. We have in some instances accepted administration requests, and in other instances we have rejected them. In many we have modified them. But at least all members of the committee should be aware that this is the process which we hope to be able to follow. These are the cuts we have identified as being the proper budgetary adjustments to make to meet the targets that have been established for us for this particular piece of legislation.

Mr. President, I would be happy to yield to the Senator from Louisiana for whatever statement he wishes to make at this time.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. JOHNSTON. Mr. President, the subcommittee dealt at some length with this bill, and I support H.R. 4035 as reported from the Senate Appropriations Committee.

I particularly want to mention my strong support for several recommendations the committee made. The first has to do with the land and water conservation fund which will provide money for both the States under the Bureau of Outdoor Recreation program, providing 50-50 matching fund money for the State, and also provide Federal park money which is so vital at a time when potential park areas are escalating in price more rapidly than inflation, and when Federal park visits were at an alltime high—as I recall there were 300 million park visits last year—and at a time when there remain large amounts of unpurchased property which have been designated as part of national parks. That amendment will do a great deal toward helping provide an answer to that problem.

Under the leadership of our distinguished subcommittee and committee chairmen, the senior Senator from Idaho and the senior Senator from Oregon, the committee made a number of very tough choices. Not only did we stay within the subcommittee's budget authority 302(a) allocation, but we are under our outlay allocation by over \$700 million.

The programs funded under this bill are some of the most popular programs with some of the most persuasive and articulate supporters around. Nonetheless, the hard choices we had to make were made and I commend the subcommittee chairman for the vigorous leadership he exercised in the process.

I particularly want to mention my strong support for several recommendations the committee made.

First, I am especially pleased that the committee recommended some modest funding for Federal and State land acquisition programs under the LWCF, consistent with the authorized ceiling adopted for these programs in Public Law 97-35, the Omnibus Reconciliation Act of 1981. By a bipartisan vote, the committee wisely decided to provide a steady, albeit reduced, flow of money for

these programs which will enable us to protect the most threatened tracts and exercise purchase options in which we have already made substantial Federal commitments.

Postponing these purchases would have increased future costs since land escalation rates average 15 percent per year. For example, delaying purchases along the Appalachian Trail this year would result in at least \$1 million in additional costs for the same acreage next year. Moreover, if no funds were provided this year, some tracts would be lost altogether.

The committee amendment will also severely cut back, but not terminate, the State-local grant program which is one of the most successful examples of creative federalism we have around. Federal grant dollars are matched 1 to 1 by the States and act as "seed money" since State and local governments assume all O. & M. costs for areas acquired with these funds.

I am concerned, however, about the ominous signals I hear about potential impoundments, rescissions and deferrals, possibly including the land and water program and many others. In fiscal years 1980 and 1981, the land and water conservation fund was subject to lengthy midyear delays while the administration and the Congress debated rescission proposals. In both instances the Congress disagreed, in whole or part, with the administration's recommendations.

Thus, I hope that we can today agree that those funds ultimately appropriated by the Congress from the land and water conservation fund, for both State and Federal purposes, will be made available to the States and the Federal agencies within a reasonable period of time. I expect, for instance, that not more than 30 days will elapse between the time the bill is signed into law and the certification memorandum to the respective Governors apportioning State funds is approved.

Second, I believe the committee made a prudent decision in providing badly needed funds for needed repairs and rehabilitation projects in our national parks, many of which are needed to protect the health and safety of visitors. Park visits have increased sharply this summer—up almost 10 percent nationwide over last year—throughout all regions of the country. Wear and tear on these fragile resources has increased proportionately and these funds are critical to preventing serious further and in some cases permanent deterioration.

We also cut deeply into funding for historic preservation, Mr. President, but provided sufficient funds for federally required functions to be performed by the States. Within the small amount provided, which is about 50 percent less than the fiscal year 1980 appropriation, funds will be available to the States to continue to process nominations to the National Register and to certify properties as eligible for tax incentives, the cornerstone of this administration's preservation policy.

If we failed to provide this funding, these responsibilities, which we have delegated to the States, would likely fall

by the wayside. I believe the committee's recommendation is responsible, Mr. President, and will prevent a severe and perhaps irreparable blow to this program and the tax basis on which current policy is relying.

I particularly want to compliment the chairman for the fine tuning he applied to the budget needs of the territories of the United States. The distinguished Senator and I have worked closely over the last 8½ years on the Energy Committee in developing a bipartisan and in my view fair policy toward these areas. I am especially pleased that funds were provided to repair the unsafe, seriously deteriorated hospital on Truk, the most populous area in the Trust Territory, and to begin A. & E. work for a new hospital in Palau, whose residents currently must use a 30-year-old facility which the Navy believes is a serious fire hazard. We have a special responsibility to these people dating from 1947 and certainly adequate health care facilities are key to exercising this duty fully.

The committee also made a number of judicious recommendations for many programs which have been instrumental in helping us to reduce our dependence—by almost 20 percent last year—on foreign oil, a dependence which resulted in payments of \$60 billion to other countries in 1979. Included among these recommendations are continuation of the solvent refined coal (SRC) I demonstration facility with funds deferred from fiscal year 1981, continuing the residential conservation service programs, EPCA grants and ECPA grants.

In addition, sufficient funds were provided to the Department of Energy to weatherize approximately 125,000 of the estimated 14 million potentially eligible homes in fiscal year 1982. This program, which is targeted to the most needy, has been critical to our efforts to reduce energy consumption. Moreover, CBO recently calculated that with constant energy costs the payback period for these investments is less than 6 years.

I am pleased to note that within the tight parameters established by Public Law 97-35 the committee recommended sufficient funding to avoid serious and perhaps irreversible setbacks to the cultural programs sponsored by the National Foundation on the Arts and Humanities. These programs have enjoyed broad bipartisan support for the past 15 years and I believe the action we took continues this spirit of support for our Nation's cultural heritage and development.

If our economy were in better shape, Mr. President, and if our budget situation were in better control, I personally would prefer to fund many of these programs at higher levels. However, these are austere times and I believe the committee's action is responsive to this need while remaining responsible to the national needs these programs represent.

In sum, Mr. President, with bipartisan support and cooperation the committee has reported a responsible and responsive bill. Our outlay recommendations were over \$700 million below the subcommittee's allocation in fiscal year 1982. We made some tough decisions, but I

believe that the Senate will find, after a close review, that this is a good bill and I urge the Senate to approve it.

Mr. President, since the committee has dealt with this issue, the chairman, as he just described, has come up with a detailed and rather extensive set of proposed cuts. We fully recognize that in the spirit of budget stringency and the need to attempt to get the size of the budget down, recognizing, of course, that we cannot balance this year due to the extraordinarily large size of the tax cut, but at least in order to chip away at the size of the increase in the deficit we have all got to do our part in our various budgets, to give blood, as it were, in the national good and, speaking for the minority, Mr. President, we are willing to do our part.

We, of course, cannot say at this point, having just been given this rather extensive set of cuts, how we will respond to those, as I am sure the distinguished chairman understands.

I would suggest that the materials be printed in the RECORD, as they will be, and we will very carefully go over those over the weekend. Other Senators will have an opportunity to take a look at those over the weekend, and I hope that in the strong spirit of bipartisanship, which this committee has always shown, that we can come up with a mutually agreed upon set of cuts and mutually agreed upon approach on this bill.

I will pledge to the distinguished chairman that I will do that and we will attempt to expedite that just as quickly as possible.

Mr. McCLURE. Mr. President, I thank the Senator from Louisiana for his statement and the cooperation that has indeed been evidenced throughout the difficult task of dealing with literally hundreds of items with which we have to deal in this particular appropriation. It is an exceedingly onerous task to go through them point by point, piece by piece, as we have to do, and it has been a joint effort, and I appreciate that.

Mr. President, in view of the statement which has been made on the record by the Senator from Louisiana with respect to these individual further reductions or adjustments in the budget, I will submit those for printing in the RECORD, and I send a block of amendments to the desk and ask that they be printed in the RECORD and held at the desk.

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

**BUREAU OF LAND MANAGEMENT**

Mr. McCLURE. Mr. President, I am submitting two amendments to the appropriation accounts for the Bureau of Land Management. The first would reduce the funds available for the management of lands and resources by \$9.9 million to be derived from coal leasing (minus \$5 million); oil and gas leasing (minus \$400,000); planning and data management (minus \$1.5 million); and general administration (minus \$3 million).

We have been assured by BLM that these reductions can be accommodated

without reducing outputs scheduled for fiscal year 1982 and beyond. Part of the savings will be achieved through more efficient operations and the remainder by reducing the amount of data collected by the Bureau prior to initiation of leasing activities.

The other amendment would reduce the acquisition, construction, and maintenance account by \$475,000. This would bring personnel and related costs for the survey and design staff into line with the level of operations proposed for the construction program. As this reduction has been included in the House bill, adoption of this amendment will delete one item from the conference consideration.

The amendments follow:

**AMENDMENT No. 594**

On page 2, line 18, delete "\$12,845,000" and insert in lieu thereof "\$12,370,000".

**AMENDMENT No. 595**

On page 2, line 13, delete "\$377,531,000" and insert in lieu thereof "\$367,631,000".

**OFFICE OF WATER POLICY**

Mr. McCLURE. Mr. President, this amendment would reduce budget authority for the Office of Water Policy by \$3,245,000 and budget outlays by approximately \$748,000. The effect of this amendment is to provide no fiscal 1982 funding for specific research through the Office of Water Policy for water reuse, conservation, and the special project categories. These three accounts had been funded by earlier committee action at \$1,953,000, \$550,000, and \$500,000, respectively, although no funding for these activities had been requested in the President's March budget.

Through application of the fiscal year 1981 deferral of \$2,745,000 to the State water R. & D. institute program—providing that account with some \$6,210,000—the Department of the Interior informs us that much of the work being conducted under the three zeroed accounts will be maintained. This is particularly true of work in the conservation and special project categories, the latter of which emphasizes work in the brackish water field.

The amendment follows:

**AMENDMENT No. 596**

On page 8, line 21, delete "\$10,118,000" and insert in lieu thereof "\$6,873,000".

**FISH AND WILDLIFE SERVICE**

Mr. McCLURE. Mr. President, this amendment reduces funds available for the Fish and Wildlife Service by \$2,700,000. It has four components:

Biological Services.....	-\$400,000
Migratory Bird Research.....	-1,000,000
Mammals and Non-Migratory Bird Research.....	-300,000
Interpretation and Recreation.....	-1,000,000
	-2,700,000

These activities were selected from the administration's proposals, except that none of these reductions will result in field station or research station closures.

The biological services reduction is targeted at technical assistance activities relating to instream flow issues.

The two proposed research reductions will mean that lower priority research work will be deferred or canceled. The

mammal and nonmigratory bird research program will still have a small increase over 1981 appropriations.

The recreation reduction proposed will mean that some refuge recreation and interpretive activities will be deferred into future years.

These are the only reductions proposed for the Fish and Wildlife Service.

The amendment follows:

**AMENDMENT No. 597**

On page 9, line 13, delete "\$221,628,000" and insert in lieu thereof "\$219,328,000".

**FISH AND WILDLIFE SERVICE**

Mr. McCLURE. Mr. President, this amendment provides an additional \$25,000 within funds otherwise available to the Fish and Wildlife Service to use for emergency and routine enforcement activities. This does not increase the total of the appropriation.

The Fish and Wildlife Service has been conducting several very successful undercover operations focusing on illegal trading in endangered species. This amendment will help insure that this work can be continued in fiscal year 1982.

The amendment follows:

**AMENDMENT No. 598**

On page 11, line 13, linetype "\$75,000" and insert "\$100,000" immediately after.

**NATIONAL PARK SERVICE**

Mr. McCLURE. Mr. President, I am submitting two amendments affecting the National Park Service appropriation. The first would reduce funding for the operation of the national park system by \$10.4 million, \$400,000 of which is from general administration and the balance from park maintenance.

The general administration reduction is in line with the House allowance and is part of a servicewide reduction in travel.

The park maintenance reduction merely slows the rate of increase in this activity. The fiscal 1981 funding level was \$188.7 million. Even with this \$10 million reduction, the fiscal year 1982 level would be \$230.9 million. This proposal will not adversely affect the health and safety components of the planned program, but rather will be taken from rehabilitation projects and increases requested for cyclic maintenance.

The second amendment would reduce the committee allowance for construction by \$20,000,000, leaving an increase over the fiscal year 1981 level of \$44,178,000. The revised funding level would permit projects directly related to health and safety to continue. The reduction is targeted at major rehabilitation and repair projects.

The amendments follow:

**AMENDMENT No. 599**

On page 12, line 14, delete "\$541,382,000" and insert in lieu thereof "\$530,982,000".

**AMENDMENT No. 600**

On page 14, line 7, delete "\$108,721,000" and insert in lieu thereof "\$88,721,000".

**U.S. GEOLOGICAL SURVEY**

Mr. McCLURE. Mr. President, this amendment will reduce budget authority for the U.S. Geological Survey by some \$26,166,000 and outlays by some \$2,336,048. This reduction in budget authority represents just a 5-percent trimming from the account as originally passed by

the full Appropriations Committee and, for the most part, will only delay activities at USGS rather than phase them out altogether. The ground water recharge program is the only account that will be zeroed, but the Department assures us that much of the information provided under this program will be provided by other USGS programs.

Specifically, this amendment provides for reductions in the following accounts: Data collection and analysis (-\$1,000,000); regional aquifer system, analysis (-\$2,300,000); improved instrumentation (-\$1,000,000); ground water recharge (-\$1,430,000); coal hydrology (-\$1,951,000); oil shale hydrology (-\$1,500,000); volcano hazards (-\$5,000,000); coal resource evaluation (-\$250,000); other energy—conservation of lands and resources (-\$252,000); royalty management (-\$5,000,000); Federal and Indian lands nonenergy minerals (-\$296,000) environmental affairs (-\$2,553,000); land resources data applications (-\$1,733,000); general administration (-\$470,000); and facilities (-\$1,431,000).

The amendment follows:

AMENDMENT No. 601

On page 17, line 2, delete "\$529,869,000" and insert in lieu thereof "\$503,703,000".

EXPLORATION OF NATIONAL PETROLEUM RESERVE IN ALASKA

Mr. McCURE. Mr. President, this amendment simply reduces budget authority for exploration of national petroleum reserve in Alaska by some \$312,000 and outlays by \$264,000. This reduction, however, will not reduce the ongoing Barrow area gas operation, as the Department intends to use unexpected carryover funds to make up the shortfall. As my colleagues may recall, the Congress recently made the decision to get the Government out of the drilling business on the petroleum reserve, thus reducing the budget for that activity from \$175 million in fiscal year 1980 to just \$2.6 million in fiscal year 1982.

The amendment follows:

AMENDMENT No. 602

On page 17, line 12, delete "\$2,600,000" and insert in lieu thereof "\$2,288,000".

OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT

Mr. McCURE. Mr. President, this amendment reduces budget authority for the Office of Surface Mining by \$3,580,000 and reduces outlays by some \$1,127,000. Just as in the case of the abandoned mine reclamation fund reductions which will be proposed, this reduction is made possible because the major coal producing States will not receive primacy as early in fiscal year 1982 as was first projected. As a result, this amendment reduces State regulatory grants by \$6,450,000 and State primacy programs by \$230,000.

However, because the Federal Government will still be responsible for enforcement of the Surface Mining Act, this amendment also increases the inspection and enforcement account by \$3,100,000.

The amendment follows:

AMENDMENT No. 603

On page 19, line 17, delete "\$64,418,000" and insert in lieu thereof "\$60,838,000".

ABANDONED MINE RECLAMATION FUND

Mr. McCURE. Mr. President, this amendment will reduce budget authority for the abandoned mine reclamation fund by some \$8,892,000, while reducing outlays by some \$1,538,316. Very simply, this reduction is found in State reclamation program grants (-\$8,400,000) and executive direction and administration (-\$492,000), and reflects the fact that most of those States that were expected to receive primacy in early fiscal year 1982 will not receive primacy until much later in the fiscal year. Until primacy is gained, a State reclamation program cannot be adopted. The reduction of \$8,400,000 still leaves some \$61,600,000 in the program, which represents an increase of some \$32,600,000 over fiscal year 1981.

The amendment follows:

AMENDMENT No. 604

On page 20, line 5, delete "\$114,227,000" and insert in lieu thereof "\$105,335,000".

BUREAU OF INDIAN AFFAIRS

Mr. McCURE. Mr. President, this amendment would reduce budget authority for the Bureau of Indian Affairs by \$16,230,000 from that approved by the committee. The corresponding outlay savings total \$10,558,000. Five activities are covered by this amendment, two of which are administrative accounts. Program management for education would be reduced by \$1,650,000 and the General Management and Facilities Administration would be reduced by \$10 million. These two reductions are in line with the September budget revisions.

Further, the amendment would reduce the Johnson-O'Malley program by \$2,900,000, or a 10-percent reduction from the January budget; \$26.3 million, which is \$6.4 million above the September level.

A slight reduction of \$380,000 would be assessed to the postsecondary schools operated by the Bureau of Indian Affairs. This leaves \$8.1 million, which is the same as the fiscal 1981 level.

Last, a reduction of \$1.3 million would be applied to the school equalization formula. The BIA has consistently overestimated enrollment in Federal schools. In fiscal year 1981, the overestimate amounted to 3,800 students. A reduction of \$8.1 million is contained in the committee reported bill. That reduction, however, did not consider the various weighting factors that the BIA applies to the formula which are based on the instructional level, residential programs and programs for the learning impaired. This additional reduction is the Bureau's estimate of the weighting factor applied to the existing committee reduction.

The amendment follows:

AMENDMENT No. 605

On page 21, line 8, delete "\$830,972,581" and insert in lieu thereof "\$814,742,581".

On page 21, line 9, linetype the numeral and insert after the numeral "\$57,349,000".

OFFICE OF THE SECRETARY

Mr. McCURE. Mr. President, this amendment would reduce the budget authority and outlays for the Office of the Secretary of the Department of the Interior by \$797,000. There are two components to this reduction; \$500,000 would be taken from the committee allo-

cation for the grant to the State of Alaska which is being made to carry out the provisions of the Alaska National Interest Lands Conservation Act. With the adoption of this amendment, \$1,000,000 would be left for the grant which the Department assures us will be sufficient as the agreement with the State will not be completed until sometime in December.

Second, I would reduce the amount for the minerals policy and research analysis office by \$297,000. This revision was contained in the September budget revisions. A total of \$671,000 would be left in this function. The justification indicates that the additional funds are not required as the Secretary will place greater reliance on the Bureau of Mines to supplement the work of this office.

The amendment follows:

AMENDMENT No. 606

On page 29, line 16, delete "\$41,631,000" and insert in lieu thereof "\$40,834,000".

FOREST SERVICE RESEARCH

Mr. McCURE. Mr. President, this amendment reduces funds available for Forest Service research by \$2,400,000. It has two components: Insect and disease research will be continued at the 1981 level (saving \$1,000,000), as will trees and timber management research (savings \$1,400,000). The amendment will not cut into the base program funding but will maintain 1981 levels.

The amendment follows:

AMENDMENT No. 607

On page 34, line 10, delete "\$105,568,000" and insert in lieu thereof "\$103,168,000".

FOREST SERVICE

Mr. McCURE. Mr. President, these amendments proposed will reduce funds available to the Forest Service for State and private forestry activities by \$600,000, thereby maintaining the assistance in management, planning, and technology implementation at the 1981 level. It will not reduce that activity below base levels.

An additional amendment reduces accordingly the funds that will remain available for obligation until September 30, 1983.

The amendments follow:

AMENDMENT No. 608

On page 34, line 15, delete "\$64,535,000" and insert in lieu thereof "\$63,935,000".

AMENDMENT No. 609

On page 34, line 16, delete "\$59,660,000" and insert in lieu thereof "\$59,060,000".

FOREST SERVICE—NATIONAL FOREST SYSTEM

Mr. McCURE. Mr. President, this amendment reduces funds available to the Forest Service to manage the National Forest System by \$17,090,000. The amendment has four components: First, minerals management (-\$1,500,000); second, lands management (-\$1,000,000); third, fire protection (-\$4,000,000); fourth, general administration (-\$10,590,000).

None of these changes reduces the size of the base program, but instead trim back on some of the increases proposed.

AMENDMENT No. 610

On page 35, line 6, delete "\$1,013,500,000" and insert in lieu thereof "\$996,410,000".

## FOREST SERVICE—FACILITY CONSTRUCTION

Mr. McCLURE. Mr. President, the amendments reduce funds available for Forest Service facility construction by \$2,100,000. This will be achieved by deferring energy retrofit projects in existing research facilities (-\$1,100,000) and by deferring lower priority recreation construction.

The amendments follow:

## AMENDMENT No. 611

On page 35, line 6, delete "\$509,743,000" and insert in lieu thereof "\$507,643,000".

## AMENDMENT No. 612

On page 35, line 14, delete "\$22,793,000" and insert in lieu thereof "\$20,693,000".

## FOSSIL ENERGY RESEARCH AND DEVELOPMENT

Mr. McCLURE. Mr. President, this amendment reduces budget authority for the Department of Energy's fossil energy's fossil energy research and development by \$23,000,000 while reducing outlays by some \$27,845,000. This reduction is made in just three areas of the fossil energy R. & D. account, the first of which is a cut of \$2,000,000 from technical support, surface coal gasification. Specifically, this reduction would decrease DOE's output of engineering analyses and studies of environmental concerns as they relate to surface coal gasification.

Second, is a \$2,000,000 reduction from the enhanced oil recovery program, which is made possible because of increased industrial involvement on enhanced recovery activities.

Finally, this amendment will reduce \$19,500,000 from the pressurized fluidized bed account, which is in turn offset by \$10,500,000 in unobligated funds transferred from the atmospheric fluidized bed account. Specifically, the amendment concurs with the President's request to terminate U.S. participation in the cooperative International Energy Agency PFB test facility at Grimethorpe, England, thus saving \$9,000,000. The transfer of unobligated funds comes from the CTIU project, which is not in need of the \$10,500,000 balance until at least fiscal year 1983.

The amendment follows:

## AMENDMENT No. 613

On page 40, line 21, delete "\$431,990,000" and insert in lieu thereof "\$408,490,000".

## INDIAN HEALTH SERVICE

Mr. McCLURE. Mr. President, this amendment would reduce budget authority for the Indian Health Service by \$16,164,000 and outlays by \$14,043,000. Three activities are affected by this amendment. First, program management would be reduced by \$1,164,000 which would maintain the fiscal year 1981 level of spending. Also, of the estimated \$30 million that IHS will bill for third party payments, the first \$5 million would be used to fund regular IHS programs. The House bill earmarked \$15 million of the third party payments for this purpose, however IHS expressed concern that such a level might be beyond their means as collections are often far below billings.

The final change in the bill would be to reduce the committee allocation for the community health representatives by \$10 million. This would achieve a savings

of \$8.1 million in outlays. The September budget revisions would have terminated this program; the level proposed through this amendment is \$24.5 million which is a 33-percent reduction below the fiscal 1981 level.

While I realize that this reduction may be difficult for some to support, it should be pointed out that this is just one of many programs which has been allowed to grow unchecked for a number of years. The CHR program was initiated in 1969 at an annual level of \$95,000. At a 12-percent annual inflation rate over the past 12 years, that original program would cost \$370,000 for fiscal year 1982. Even with the further reduction envisioned by this amendment, \$24.5 million would be left which means a real program growth since 1969 of over 6,500 percent.

The amendment follows:

## AMENDMENT No. 614

On page 46, line 18, delete "\$623,069,000" and insert in lieu thereof "\$606,905,000".

On page 47, line 2, delete the linetype from the words "the first".

On page 47, line 2, after "\$15,000,000" insert "\$5,000,000".

On page 47, line 2, delete the words "not to exceed \$30,000,000".

On page 47, lines 5, 6 and 7, delete the linetype.

## SMITHSONIAN INSTITUTION

Mr. McCLURE. Mr. President, this amendment would delete the \$340,000 which was added by the committee for the multiple mirror telescope at the Mount Hopkins Observatory. We understand that this item will be included in the Smithsonian's regular budget request for fiscal year 1983 and that the additional work can be delayed until that time.

The amendment follows:

## AMENDMENT No. 615

On page 50, line 25, delete "\$132,106,000" and insert in lieu thereof "\$131,766,000".

## SMITHSONIAN INSTITUTION

Mr. McCLURE. Mr. President, this amendment would delete the \$500,000 which the committee has provided for design of the quatic habitat at the National Zoo. The Smithsonian informs us that construction has been delayed until fiscal year 1985, so the design funds will not be required until fiscal 1984.

The amendment follows:

## AMENDMENT No. 616

On page 52, line 9, delete "\$7,500,000" and insert in lieu thereof "\$7,000,000".

Mr. McCLURE. Mr. President, there are also amendments adopted by the committee in the committee deliberation of the House-passed bill. I ask unanimous consent that the committee amendments be agreed to en bloc and that the bill as thus amended be regarded for the purpose of amendment as original text provided that no point of order shall be considered to have been waived by agreeing to this request.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The committee amendments agreed to en bloc are as follows:

On page 2, line 9, after "Management," insert the following: "including administrative expenses associated with the manage-

ment of funds provided under the heads "Oregon and California Grant Lands" and "Acquisition, Construction, and Maintenance".

On page 2, line 13, strike "\$295,789,000", and insert "\$377,531,000";

On page 2, line 17, strike "\$12,720,000", and insert "\$12,845,000";

On page 2, after line 18, insert the following:

## PAYMENTS IN LIEU OF TAXES

"For expenses necessary to implement the Act of October 20, 1976 (31 U.S.C. 1601), \$105,000,000, of which not to exceed \$400,000 shall be available for administrative expenses: *Provided*, That this appropriation may be used to correct underpayments in the previous fiscal year to achieve equity among all qualified recipients."

On page 3, beginning on line 3, strike "administrative expenses and";

On page 3, line 5, strike "\$1,137,000", and insert "\$2,300,000";

On page 3, strike line 8, through and including line 16;

On page 7, line 23, after "filed", insert the following: "": *Provided further*, That, none of the funds provided in this Act to the Bureau of Land Management may be expended to determine suitability or non-suitability for wilderness or for any wilderness study area designation as directed in 43 U.S.C. 1782 of the Federal Land Policy and Management Act of the lands withdrawn by the Executive Order numbered 3767 of December 19, 1922, to be used by the United States Department of Agriculture for a sheep experiment station."

On page 8, strike line 7 through and including line 14, and insert the following:

## OFFICE OF WATER POLICY

## SALARIES AND EXPENSES

For expenses necessary in carrying out the provisions of the Water Research and Development Act of 1978 (Public Law 95-467), as amended, and for water policy and program development for programs conducted by the Department of the Interior, \$10,118,000: *Provided*, That the unexpended balances in the account "Office of Water Research and Technology, Salaries and Expenses," shall be merged with this account.

On page 9, line 10, after "Refuge," insert the following: "including administrative expenses associated with the management of funds provided under the head "Construction and Anadromous Fish"."

On page 9, line 12, strike "\$207,235,000", and insert "\$221,628,000";

On page 9, line 17, beginning with "Provided", strike through and including line 21;

On page 10, line 4, strike "\$9,475,000", and insert "\$6,611,000";

On page 10, beginning on line 13, strike "administrative expenses, and for";

On page 10, line 16, strike "\$18,039,000" and insert "\$8,000,000";

On page 10, strike line 19, through and including line 25";

On page 12, line 10, after "Commission," insert the following: "including administrative expenses associated with the management of funds provided under the heads "Construction" and "John F. Kennedy Center for the Performing Arts"."

On page 12, line 13, strike "\$527,606,000", and insert "\$541,382,000";

On page 13, line 3, after "United States", insert the following: "": *Provided further*, That \$85,000 shall be available for the National Park Service to assist the Town of Harpers Ferry, West Virginia, for police force use."

On page 13, line 10, strike "\$13,088,000", and insert "\$12,688,000";

On page 13, strike line 16, through and including line 20;

On page 14, line 6, strike "\$108,771,000", and insert "\$108,721,000";

On page 14, beginning on line 11, strike "administrative expenses, and for";

On page 14, line 14, strike "\$100,468,000", and insert "\$176,108,000";

On page 14, line 16, after "expended," insert the following: "of which \$100,000,000 shall be available for payments to the States in accordance with section 6(c) of said Act, and of which not to exceed \$2,282,000 shall be available for administrative expenses related to payments to States."

On page 15, strike line 1, through and including line 6;

On page 16, line 6, after "owner", insert the following: "Provided further, That none of the funds appropriated to the National Park Service shall be used to carry out the provisions of section 3 of Public Law 92-207 (85 Stat. 739)."

On page 17, line 1, strike "\$535,561,000", and insert "\$529,869,000";

On page 17, line 2, strike "\$45,596,000", and insert "\$46,946,000";

On page 18, line 17, strike "\$143,460,000", and insert the following: "\$151,539,000, of which \$9,629,000 shall be available to carry out the provisions of sections 301 and 302 of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1221), and of which \$850,000 shall be available for determining the limits of the Centralia, Pennsylvania fire, and";

On page 18, line 22, strike "\$109,361,000", and insert "\$107,661,000";

On page 19, line 17, strike "\$66,033,000", and insert "\$64,418,000";

On page 19, line 25, beginning with "\$115,227,000", strike through and including line 4 on page 20, and insert "\$114,227,000";

On page 19, strike line 6, through and including line 11;

On page 21, line 8, strike "\$797,395,000" and insert "\$830,972,581";

On page 21, line 10, after "1934", insert the following: "(48 Stat. 596), as amended (25 U.S.C. 452 et seq.)"

On page 21, line 16, after "450", insert "et seq.";

On page 21, line 24, after "amended", insert the following: "(20 U.S.C. 2303(a)(1)(B)(iii))";

On page 22, line 2, strike "the";

On page 22, beginning on line 2, strike "(48 Stat. 596)";

On page 22, line 24, strike "and", and insert the following: "the Act of November 2, 1921 (42 Stat. 208)";

On page 22, line 25, after "13", insert "1";

On page 22, line 25, after "13", insert the following: "and the Act of May 26, 1928 (45 Stat. 750; 25 U.S.C.)";

On page 23, line 1, after "318a", insert "1";

On page 23, line 1, strike "\$48,800,000", and insert "\$50,816,810";

On page 23, strike line 3, through and including line 8;

On page 24, line 8, after "Secretary", insert the following: "Provided further, That (except in the case of funds held in trust for Indian tribes or individuals) the funds available for expenditure under the 'Indian moneys, proceeds of labor' accounts authorized by the Act of May 17, 1926 (Chap. 309, 44 Stat. 560; 25 U.S.C. 155); the Act of March 3, 1883 (22 Stat. 582) in the fifth paragraph under the heading 'INDIAN AFFAIRS' (22 Stat. at 590; 25 U.S.C. 155); and the Act of March 2, 1887 (24 Stat. 449) in the first paragraph under the heading 'MISCELLANEOUS' (24 Stat. at 463; 25 U.S.C. 155) may be expended until September 30, 1982 for any purpose for which funds are appropriated under the sub-heading 'Operation of Indian Programs'.

On September 30, 1982, the balance of such accounts (except for the funds held in trust for Indian tribes or individuals) shall be miscellaneous receipts of the Treasury to offset outlays of the Bureau of Indian Affairs, and thereafter no funds shall be deposited in such accounts other than funds held in trust for Indian tribes or individuals.

On page 24, line 8, after "Secretary", insert the following: "Provided further, That (except in the case of funds held in trust for Indian tribes or individuals) the funds available for expenditure under the 'Indian moneys, proceeds of labor' accounts authorized by the Act of May 17, 1926 (Chap. 309, 44 Stat. 560; 25 U.S.C. 155); the Act of March 3, 1883 (22 Stat. 582) in the fifth paragraph under the heading 'INDIAN AFFAIRS' (22 Stat. at 590; 25 U.S.C. 155); and the Act of March 2, 1887 (24 Stat. 449) in the first paragraph under the heading 'MISCELLANEOUS' (24 Stat. at 463; 25 U.S.C. 155) may be expended until September 30, 1982 for any purpose for which funds are appropriated under the sub-heading 'Operation of Indian Programs'.

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On September 30, 1982, the balance of such accounts (except for the funds held in trust for Indian tribes or individuals) shall be miscellaneous receipts of the Treasury to offset outlays of the Bureau of Indian Affairs, and thereafter no funds shall be deposited in such accounts other than funds held in trust for Indian tribes or individuals.

On page 26, line 11, strike "\$92,571,000", and insert "\$87,869,999";

On page 26, line 12, strike "\$87,444,000" and insert "\$82,542,000";

On page 27, line 1, strike "\$5,127,000", and insert "\$5,327,000";

On page 28, line 13, strike "\$78,830,000" and insert "\$79,561,000";

On page 29, line 10, strike "\$17,000,000", and insert "\$19,667,000";

On page 29, line 15, strike "\$36,194,000", and insert "\$41,631,000";

On page 29, line 16, strike "\$2,500", and insert "\$5,000";

On page 33, strike line 4, through and including line 19;

On page 33, line 20, strike "112," and insert "109.";

On page 34, strike line 1, through and including line 4;

On page 34, line 10, strike "\$109,722,000", and insert "\$105,568,000";

On page 34, line 15, strike "\$68,715,000", and insert "\$64,535,000";

On page 34, line 15, strike "\$63,260,000", and insert "\$59,660,000";

On page 35, line 1, after "rehabilitation," insert the following: "including administrative expenses associated with the management of funds provided under the heads 'Forest Research', 'State and Private Forestry', 'National Forest System', and 'Construction and Land Acquisition'";

On page 35, line 5, strike "\$769,093,000", and insert "\$1,013,500,000";

On page 35, line 6, strike "\$226,278,000", and insert "\$221,278,000";

On page 35, line 21, after "United States", insert the following: "Provided further, That \$1,485,000 shall be available for construction of the Bald Mountain Road in the Siskiyou National Forest."

On page 36, beginning on line 4, strike "administrative expenses, and for";

On page 36, line 7, strike "\$36,989,000", and insert "\$15,120,000";

On page 36, strike line 10, through and including line 23;

On page 36, after line 23, insert the following:

#### "LAKE TAHOE ACQUISITION

"For acquisition of environmentally sensitive lands, as defined in Public Law 96-586, in the Lake Tahoe Basin, Nevada-California, \$7,000,000, to remain available until expended."

On page 37, line 24, after "year," insert the following: "and not less than \$1,000,000 of unexpended balances from prior year receipts";

On page 40, after line 6, insert the following:

#### "ALTERNATIVE FUELS PRODUCTION

"The provisions in the next to last paragraph under this head in the Supplemental Appropriations and Rescission Act, 1980 (Public Law 96-304) regarding transfer of projects to the Synthetic Fuel Corporation from the Department of Energy shall not apply to any demonstration projects authorized pursuant to the Federal Nonnuclear Energy Research and Development Act, as amended (Public Law 93-577)."

On page 40, strike line 17;

On page 40, line 21, strike "\$463,750,000", and insert "\$431,990,000";

On page 40, beginning on line 21, strike "and", through and including "Energy," on line 23;

On page 41, after line 2, insert the following:

#### "FOSSIL ENERGY CONSTRUCTION

"For necessary expenses in connection with the purchase and construction of fossil energy plans, including the acquisition of interests, including defeasible and equitable interests in any real property or any facility or for plant or facility acquisition or ex-

pansion, \$4,000,000, to remain until expended."

On page 41, line 12, strike "\$222,023,000", and insert "\$222,463,000";

On page 41, line 17, strike "\$203,890,000", and insert "\$130,340,000";

On page 41, line 18, strike "\$168,608,000", and insert "\$172,608,000";

On page 41, line 19, after "Energy," insert the following: "and \$400,000 to be derived from 'Energy production, demonstration, and distribution,' Department of Energy,".

On page 42, line 1, strike "\$21,500,000", and insert "\$16,000,000";

On page 42, line 6, strike "\$32,000,000", and insert "\$17,100,000";

On page 42, after line 9, insert the following: "Provided further, That of the funds deferred under this head in the Supplemental Appropriations and Rescission Act, 1981 (Public Law 97-12), \$5,000,000 shall be available for the Federal coal conversion program, of which \$4,500,000 shall be available only for expenses in issuing prohibition orders under the Powerplant and Industrial Fuel Use Act and other related laws, to remain available until expended."

On page 42, line 21, strike "\$3,383,408,000", and insert "\$199,408,000";

On page 42, after line 22, insert the following:

#### "PETROLEUM ACQUISITION AND TRANSPORTATION

"The limitation on the aggregate amount that may be obligated under section 167 of the Energy Policy and Conservation Act of 1975 (Public Law 94-163), as amended by H.R. 3982, Ninety-seventh Congress, or similar legislation, for the acquisition and transportation of petroleum, and for other necessary expenses, is hereby established at \$3,684,000,000, to remain available until expended."

On page 43, line 8, strike "\$84,986,000", and insert "\$79,851,000";

On page 46, line 18, strike "\$629,484,000", and insert "\$623,069,000";

On page 47, line 2, strike "the first \$15,000,000", and insert "not to exceed \$30,000,000";

On page 47, beginning on line 5, strike "shall", through and including "collections" on line 7;

On page 47, line 12, after "facilities", insert the following: "Provided further, That funding herein shall be available for the lease of 200 units of housing to be constructed at Chinle, Arizona and for the lease of 28 units of housing to be constructed at Inscription House, Arizona."

On page 48, line 1, strike "\$46,739,000", and insert "\$46,617,000";

On page 48, line 18, strike "may", and insert "shall";

On page 49, line 7, after "transportation", insert the following: "Provided further, That employment funded by this Act shall not be subject to any personnel ceiling or other personnel restriction for permanent or other than permanent employment."

On page 49, line 15, strike "(58,250,000)", and insert "(57,250,000)";

On page 49, line 17, strike "\$82,096,000", and insert the following: "\$81,096,000: Provided, That none of such funds shall be obligated until the Secretary of Education has certified to the Congress that he has implemented effective procedures and requirements to verify and assure that the individuals benefiting from such funds on the basis of their Indian status actually are Indians within the meaning of section 453 of the Indian Education Act (86 Stat. 345), as amended (20 U.S.C. 1221h): Provided further, That none of such funds shall be obligated until the Secretary of Education has submitted to the Congress his report on the study and analysis of such definition of the term 'Indian' which said section 453

required be submitted to the Congress by January 1, 1980."

On page 50, line 9, strike "\$15,051,000", and insert "\$4,981,000";

On page 50, line 24, strike "\$136,374,000", and insert "\$132,106,000";

On page 51, line 13, strike "\$4,500,000", and insert "\$5,250,000";

On page 52, line 1, strike "\$1,150,000", and insert "\$1,650,000";

On page 52, line 9, strike "\$8,500,000", and insert "\$7,500,000";

On page 53, line 15, strike "\$31,777,000", and insert "\$30,067,000";

On page 53, line 16, strike "\$4,100,000", and insert "\$3,100,000";

On page 53, line 24, strike "\$2,260,000", and insert "\$1,903,000";

On page 54, line 7, strike "\$125,000,000", and insert "\$89,300,000";

On page 54, line 8, strike "\$113,635,000", and insert "\$79,035,000";

On page 54, line 19, strike "\$32,500,000", and insert "\$30,000,000";

On page 54, line 21, strike "\$15,000,000" and insert "\$15,000,000";

On page 55, line 9, strike "\$112,087,000", and insert "\$88,000,000";

On page 55, line 10, strike "\$100,087,000", and insert "\$77,000,000";

On page 55 line 14, strike "\$12,000,000", and insert "\$11,000,000";

On page 55, line 16, after "Act", insert the following: "and for administering title II of the Arts, Humanities, and Cultural Affairs Act of 1976, as amended.";

On page 55, line 21, strike "\$31,974,000", and insert "\$25,700,000";

On page 55, line 22, strike "\$22,950,000", and insert "\$15,600,000";

On page 56, beginning on line 10, strike "That", through and including "further," on line 12;

On page 57, line 14, strike "\$2,371,000", and insert "\$2,361,000";

On page 58, line 20, strike "\$1,500", and insert "\$3,000";

On page 58, line 21, after "expenses," insert the following: "and of which \$1,000,000 shall remain available until September 30, 1983.";

On page 59, line 4, strike "\$800,000", and insert "\$770,000";

On page 59, line 19, strike "first"; and

On page 61, after line 11, insert the following:

Sec. 310. Funds derived from the Land and Water Conservation Fund appropriated by this Act shall be made available only to the extent that they do not exceed the budget authority and outlay limitations as set forth pursuant to the adoption of the conference agreement on H.R. 3982, Ninety-seventh Congress.

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

Mr. McCLURE. Mr. President, I yield to the Senator from Mississippi.

Mr. COCHRAN. Mr. President, I thank the Senator for yielding.

Mr. President, H.R. 4035 will provide additional funding for a very important project in the Southeast. This bill appropriates \$12,039,000 for the Natchez Trace Parkway in fiscal year 1982. These funds will insure the continued development of this historic parkway which was first authorized by Congress in 1934.

When completed the Natchez Trace Parkway will be a 449-mile scenic highway stretching from Nashville, Tenn., to Natchez, Miss. At the end of fiscal year 1982, only 71 miles will remain to be constructed. I am especially pleased, Mr. President, that the committee has recommended in its report that the construction of the parkway continue in fiscal year 1982 and thereafter in an orderly manner to completion. I appreciate the committee's support and the support of the administration for this worthwhile project.

There are many interested citizens who are anxiously awaiting the final completion of the parkway.

Mr. McCLURE. Mr. President, I yield to the Senator from Louisiana.

Mr. JOHNSTON. Mr. President, on September 25, 1981, a small tribe in Avoyelles Parish, La., received Federal recognition, the Tunica-Biloxi tribe. This group has serious and critical health care needs, needs which cannot be addressed this year absent congressional action making funds available for this purpose even though there are sufficient funds in the equity fund to initiate contract health care services for this tribe.

To assure that adequate authority exists for the Department to initiate such services within available funds, Mr. President, I have risen to enter into a colloquy with the distinguished chairman of the subcommittee, the senior Senator from Idaho, and seek his assurance that it is his intent for such authority to exist within the funds provided in this bill.

Federal recognition confirms to the Tunica-Biloxis those Federal services and benefits furnished to American Indian tribes by reason of the Federal trust relationship, and for other purposes. Health care is one of the Federal services furnished to American Indian tribes and can be provided in two ways: By direct care (through Indian Health Service and tribal delivery systems) and through contract health care (provided by private physicians and health facilities in areas where no IHS or tribal delivery system is available).

For the Tunica-Biloxis, I understand that no primary care system is accessible and that contract care is necessary to provide for the tribe's health needs. As I understand it, there are sufficient funds provided in the equity fund established in H.R. 4035 to help establish adequate health care for all eligible Indians, and funds are available to initiate contract care for the Tunica-Biloxis. Is this also the chairman's understanding?

Mr. McCLURE. Yes; it is my understanding that sufficient funds are available for this purpose and we certainly intend that sufficient funds should be available to the newly eligible Tunica-Biloxi Tribe in Louisiana once IHS has completed its assessment. If this assessment indicates that the tribe falls into level V, the lowest level, they would have first call on the equity fund which totals \$14 million, an increase of \$6 million over the current level.

Mr. JOHNSTON. I thank the Senator for this clarification that the health care responsibilities of our trust relationship

with the Tunica-Biloxis can be fully met within the funds provided in H.R. 4035 and assurance that this is the Senate's intent in this bill.

Mr. LONG. I share my colleague's concern about the critical health care needs of the Tunica-Biloxi, a tribe in our State. Now that the Tunica-Biloxi have been recognized, I understand that these Indians are eligible for health care services, and I appreciate the able subcommittee chairman's clarification that funds will be made available to meet this tribe's health care needs.

#### UP AMENDMENT NO. 521

Mr. McCLURE. Mr. President, there are seven technical amendments which I send to the desk and ask unanimous consent that they be considered en bloc.

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

The clerk will report the amendment. The bill clerk read as follows:

The Senator from Idaho (Mr. McCLURE) proposes an unprinted amendment numbered 521.

Mr. McCLURE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 10, line 17, change "\$8,000,009" to "\$8,000,000".

On page 61, strike lines 12 through 17, inclusive.

On page 43, strike all of line 2 and insert the following in lieu thereof: "the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-235)."

On page 2, line 13, insert close quotation marks after the word "Maintenance" and before the comma.

On page 18, lines 18 and 19, strike "... sections 301 and 302" and insert "Title III".

On page 48, line 25, insert a comma after the word "prescribe" and before the word "the".

On page 21, line 8, strike "\$830,972,581" and insert in lieu thereof: "\$820,023,581".

On page 21, line 9, linetype "\$60,249,000" and insert "\$57,311,000" immediately prior to the word "for".

Mr. McCLURE. Mr. President, these matters have all been cleared with both sides of the aisle. I ask unanimous consent that they be considered en bloc and agreed to en bloc.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The amendment (UP No. 521) was agreed to.

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

#### UP AMENDMENT NO. 522

Mr. McCLURE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Idaho (Mr. McCURE) proposes an unprinted amendment numbered 522.

Mr. McCURE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 33, line 22, strike the words "the continued"

On page 33, lines 23 and 24 strike the words "as presented to and approved by the Congress for fiscal year 1981"

Mr. McCURE. Mr. President, the Department of the Interior had sought the authority to abolish the Office of Aircraft Services. A review of this program by the House and Senate Interior Appropriations Subcommittee, as well as the General Accounting Office, indicates that such a reorganization cannot be supported on the basis of cost-effectiveness or safety. The Appropriations Committee has not changed the language inserted by the House with regard to the continuance of the Office of Aircraft Services.

Upon closer examination, however, it appears this language may be too restrictive as it mandates the continuance of OAS as presented and justified to the Congress in fiscal year 1981.

The amendment I am proposing would continue the requirement for the operation of the Office of Aircraft Services but would provide some latitude to the Department in the transfer of personnel and their attendant responsibilities from the field to Washington.

Mr. President, it is my understanding that this amendment has been cleared with the other side of the aisle. If so, and if they so indicate, I would move its adoption.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. JOHNSTON. Mr. President, the distinguished floor manager has correctly stated the importance of this amendment and we have no objections.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 522) was agreed to.

Mr. McCURE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. JOHNSTON. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

AMENDMENT NO. 573

Mr. KASTEN. Mr. President, I have an amendment at the desk. I ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk read as follows:

The Senator from Wisconsin (Mr. KASTEN) proposes an amendment numbered 573.

On page 22, line 18, strike "\$77,717,000" and insert in lieu thereof "\$79,282,000".

Mr. KASTEN. Mr. President, this amendment would restore funding for the Menominee Courthouse complex to the \$2.265 million level requested by the President and approved by the House.

Currently, there are no usable detention or court buildings on the Menominee Reservation and the facilities actually being used are in serious violation of building and safety codes. Inmates are being housed in the basement of the existing structure, and there are no separate juvenile and adult detention sections as required by law. The Bureau of Indian Affairs, in reviewing the Menominee situation, concluded that:

There are no options available \* \* \* the structure is too expensive to renovate and additions would not alter the unsatisfactory existing space.

The Subcommittee on Interior and Related Agencies recommended \$700,000 for the construction of the Menominee complex which will consist of a courtroom and jailhouse facility to replace the present inadequate, makeshift facilities. However, the subcommittee's recommendation to reduce the funding for the Menominee Courthouse complex was based upon inadequate information which resulted in an inappropriate comparison of the Menominee project with that of a proposed facility for the Rosebud Sioux Reservation. The Rosebud project is budgeted at \$1.7 million and would house 70 prisoners; the Menominee project would accommodate 19 prisoners and cost \$2.265 million.

However, the initial data submitted to the subcommittee failed to reveal essential differences between the Rosebud and Menominee projects; the Department of the Interior has since provided more accurate and complete information. A comparison by Mr. William Sunrise, BIA Architect and project manager for these projects, shows clearly the differences between the two facilities that account for the greater cost of the Menominee complex.

Most important is the fact that the Rosebud project is an expansion and modernization of an existing facility, with an almost completed courthouse being integrated into the complex. The Menominee Courthouse complex, on the other hand, requires the construction of a totally new facility. Furthermore, the Menominee project is more extensive and complex than was indicated in the data available to the subcommittee. The new information provided by the Department of the Interior on both projects justifies the greater appropriation for the Menominee facility.

Restoration of the \$2.265 million requested by the administration is urgently needed for the construction of adequate law enforcement facilities on the Menominee Reservation. The new complex will provide needed space for more effi-

cient operation of police and court activities; bring the detention facilities up to required standards; and insure separate facilities for juveniles as mandated by law. The new courthouse complex will greatly upgrade law enforcement activities and services for the Menominee Reservation and surrounding communities.

Mr. President, it is my understanding that this amendment has been cleared by both sides and I would hope it could be agreed to.

Mr. McCURE. Mr. President, the Senator is correct. Some of the information that has been given to us by the BIA earlier was incomplete or inaccurate. We took that action in committee based upon that information.

We have since checked with them and asked them to check with the field and we find that the information that was given to us was incorrect. They agree that that is the case. We are in agreement with the amendment.

Mr. JOHNSTON. Mr. President, the amendment is agreeable to the minority.

Mr. KASTEN. Mr. President, I deeply appreciate the work and the cooperation of the subcommittee, both the majority and the minority, particularly our chairman, Senator McCURE, in helping to solve a problem that is very important to the Menominee Indian Reservation and the surrounding area.

Mr. President, I move adoption of the amendment.

The PRESIDING OFFICER. Is there further debate? If not, the question is on agreeing to the amendment.

The amendment (No. 573) was agreed to.

Mr. KASTEN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. McCURE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

UP AMENDMENT NO. 523

(Purpose: To amend that section of the bill dealing with Indian Health Services, Department of Health and Human Services)

Mr. ANDREWS. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk read as follows:

The Senator from North Dakota (Mr. ANDREWS) proposes an unprinted amendment numbered 523.

Insert at page 47, line 16:

Provided further, That funding herein, and in any earlier Appropriations Act, for scholarship programs under section 103 of the Indian Health Care Improvement Act



and section 757 of the Public Health Service Act shall remain available until expended."

Mr. ANDREWS. Mr. President, this amendment is self-explanatory. There are moneys available for these very important programs in the field of Indian affairs. It is necessary that this money be listed as available until expended in order to continue these services to the Indian people of our Nation.

I understand this has been cleared by both the majority and minority sides of the committee and that they find the amendment in order.

Mr. McCLURE. Mr. President, we have reviewed this language and we have no objection.

Mr. JOHNSTON. The amendment is agreeable, Mr. President.

The PRESIDING OFFICER. If there is no further debate, the question is on agreeing to the amendment.

The amendment (UP No. 523) was agreed to.

Mr. ANDREWS. I move to reconsider the vote by which the amendment was agreed to.

Mr. McCLURE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

Mr. RUDMAN. Mr. President, I would like, if I may, to draw to the attention of the chairman the language of the committee under the cooperative resource protection subdivision of the Forest Service budget, specifically regarding forest pest management. The language to which I refer reads:

The Forest Service has recently estimated that as much as \$7,000,000 may be needed in fiscal year 1982 for the Federal share of insect suppression projects related to the gypsy moth, although needs are extremely hard to estimate a year in advance. About \$2,300,000 has been programmed for gypsy moth suppression activities in fiscal year 1981. The Committee is confident that the Forest Service can provide the necessary funding for insect infestation control activities out of the funds appropriated in fiscal year 1982, plus insect and disease carryover funds from fiscal year 1981. Insect and disease carryover funds from 1979 to 1980 were \$9,100,000 and \$4,400,000 was carried over from fiscal year 1980 to 1981. The Committee would anticipate some carryover of funds into fiscal year 1982 that could be used for insect infestation control activities. The Committee would also expect the Forest Service to shift funds from the technical assistance and survey line item to the insect suppression line item, or through other reprogramming or supplemental appropriations actions, if necessary, to meet insect infestation needs in fiscal year 1982.

I applaud the wisdom of the committee and its chairman for including this language in the committee report, as we in New Hampshire alone have suffered the defoliation of several thousand acres of prime forestland this year, primarily

due to infestation by gypsy moths. However, there is growing concern in our region over another destructive insect pest, the saddled prominent, which is estimated to have defoliated 189,000 acres in New Hampshire last year, and affected 37,000 acres in Vermont during the same period. The insect attacks the trees late in the year and is particularly destructive to maple trees, which may die if unable to form new buds before the first frost. Is it the intention of the chairman that the language regarding gypsy moth suppression to which I have previously referred shall also apply to control and suppression of the saddled prominent, as is necessary by the determination of the Forest Service?

Mr. McCLURE. The Senator is correct. At the time we considered the bill, the information relating to the saddled prominent had not yet been received. Had the committee had that information, this would have been included in the report itself.

Mr. RUDMAN. Will the chairman further agree to give every consideration to increasing funding for insect suppression by the Forest Service in a supplemental appropriation if this becomes necessary to control the problem?

Mr. McCLURE. Mr. President, I shall be happy to give such a proposal every consideration at the time the committee commences deliberations on a supplemental appropriations bill for fiscal year 1982.

Mr. RUDMAN. I thank the chairman. Mr. McCLURE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. RUDMAN). The clerk will call the roll.

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

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

#### ORDERS FOR MONDAY, OCTOBER 26, 1981

##### ORDER FOR RECOGNITION OF SENATOR LEAHY AND SENATOR ROBERT C. BYRD

Mr. McCLURE. Mr. President, I ask unanimous consent that following the recognition of the two leaders under the standing order on Monday, October 26, the following Senators be recognized for not to exceed 15 minutes each, on special orders: Senator LEAHY and Senator ROBERT C. BYRD.

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

##### ORDER FOR ROUTINE MORNING BUSINESS

Mr. McCLURE. Mr. President, I ask unanimous consent that following the two special orders on Monday, there be a period for the transaction of routine morning business, not to extend beyond 11 a.m., with statements therein limited to 5 minutes each.

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

##### ORDER FOR CONSIDERATION OF H.R. 4035, THE INTERIOR APPROPRIATIONS BILL

Mr. McCLURE. Mr. President, I ask unanimous consent that at 11 a.m. on Monday, the Senate resume consideration of H.R. 4035, the Department of the Interior and related agencies appropriations bill.

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

##### ORDER FOR RECORD TO REMAIN OPEN UNTIL 4 P.M. TODAY

Mr. McCLURE. Mr. President, I ask unanimous consent that the RECORD remain open today until 4 p.m. for the introduction of bills, resolutions, and statements and for the filing of reports.

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

#### ORDER OF PROCEDURE ON MONDAY

Mr. ROBERT C. BYRD. Mr. President, will the distinguished acting Republican leader state, for the benefit of our colleagues, what the outlook for rollcall votes will be on Monday?

Mr. McCLURE. I thank the distinguished minority leader for the question.

Mr. President, I believe it is important for the Members to know that we will be back on the Interior appropriations bill at 11 a.m. and that votes could ensue in sequence after that. So they should be prepared for that. There are a number of colloquies that can be entered into, and there will be discussion of the bill. We will be asking Members to come to the floor with amendments, if they have amendments.

I reiterate what I have just said: Those who have general comments with respect to the appropriations bill, which will be pending at 11 o'clock on Monday, under the unanimous-consent agreement, should be prepared to debate and make the record as they see fit. Those who have amendments should be prepared to come to the floor and offer those amendments. I hope that those who seek to make legislative history by way of colloquy or remarks will attempt to do that earlier in the day, so that we can accommodate their desire without inconveniencing other Members who have amendments to offer.

It is our intention to complete the bill on Monday, if possible, and we will work toward that end.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield?

Mr. McCLURE. I yield.

Mr. ROBERT C. BYRD. Mr. President, I do not ask the distinguished acting Republican leader to respond or comment, but I express the hope at this time that there will be no rollcall votes before, say, 3 p.m., so as to accommodate our Members who might be coming from distances. That has become a kind of normal practice around here; and I say that realizing, of course, that nothing is in concrete and that if there must be votes, there will be votes. I simply want to express that for the RECORD.

Mr. McCLURE. I thank the Senator.

#### RECESS UNTIL 10 A.M. ON MONDAY, OCTOBER 26, 1981

Mr. McCLURE. Mr. President, if there be no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand in recess until 10 a.m. on Monday.

The motion was agreed to; and at 1:27 p.m., the Senate recessed until Monday, October 26, 1981, at 10 a.m.