

SENATE—Tuesday, November 10, 1981

(Legislative day of Monday, November 2, 1981)

The Senate met at 9:30 a.m., on the expiration of the recess, and was called to order by the President pro tempore (Mr. THURMOND).

PRAYER

The Chaplain, the Reverend Richard C. Halverson, LL.D., D.D., offered the following prayer:

Let us pray.

Gracious God, as business is suspended tomorrow in remembrance of those who have sacrificed so much to protect the freedom won for us by the blood, sweat, and tears of our forebearers, make us thankful for our priceless heritage and dedicated to its preservation.

Deliver us, O Lord, from the tyranny of the trivial. Let us not be like children playing games on the mouth of a volcano, indifferent to the boiling and belching underneath. Sensitize us to the deepest issues, the issues beneath the issues, of national restlessness and fear. Keep us from preoccupation with symptoms while ignoring causes. Let us not be busy rearranging the furniture while the house is burning down.

Freedom has been so costly in American lives; help us Lord not to demean it, to devalue it, to let it degenerate into, "I do as I please," or "If it feels good, do it." Help us to understand that freedom is never cheap, that it has been purchased at an awful price and can be preserved only as we realize how precious it is, how rare in today's world, and that relentless vigilance is required to preserve it. We pray this in the name of Jesus Christ who died to make men free. Amen.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The majority leader is recognized.

Mr. BAKER. I thank the Chair.

THE JOURNAL

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

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

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, this morning there is a special order in favor of the distinguished Senator from California (Mr. HAYAKAWA) to be recognized for not to exceed 15 minutes.

So after the recognition of the two leaders, the recognition of Senator HAYAKAWA, and the transaction of routine morning business and whatever time remains before 10 o'clock, at the

hour of 10 o'clock the Senate will resume consideration of S. 1112, the Export Administration authorization bill.

Three amendments have been scheduled on time limitations. It is my hope, Mr. President, that third reading can be obtained, and that the Senate can then proceed to take up the State, Commerce, Justice appropriations bill.

There will be no votes after 1 o'clock today. That announcement has been made previously.

ORDER FOR NO ROLLCALL VOTES AFTER 1 P.M. TODAY

In order to nail it down, I now ask unanimous consent that no rollcall votes occur after the hour of 1 o'clock today, and that if ordered prior to that time they be delayed until the Senate next convenes and is prepared to return to the consideration of the bill.

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

Mr. BAKER. I thank the Chair.

Mr. President, this will be a busy week. This morning will be a busy morning. Senators are urged to take account of that. There will be three votes today before 1 o'clock and, perhaps, more, almost certainly more, since I would expect a rollcall vote on final passage.

I would urge Senators to remain close to the floor in order to meet those rollcall votes. I expect that the 15 minutes allocated to rollcalls today will be observed with more than the usual regularity.

NO SENATE SESSION TOMORROW

Mr. President, the Senate will not be in session tomorrow. It will resume its session on Thursday.

Is there an order for the Senate to convene on Thursday?

The PRESIDENT pro tempore. There is not an order.

ORDER FOR RECESS UNTIL 11 A.M. ON THURSDAY

Mr. BAKER. Mr. President, I ask unanimous consent that when the Senate completes its business today it stand in recess until the hour of 11 a.m. on Thursday.

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

SCHEDULE FOR THURSDAY AND FRIDAY

Mr. BAKER. The Senate will resume session then at 11 o'clock on Thursday and will proceed with the heavy schedule of legislation, including appropriation bills as previously suggested.

Thursday night almost surely will be a late evening, Mr. President. There is a possibility that Friday will be a late day. I hope not. If we continue to make good progress on the schedule of appropriation bills, as has been announced from time to time by the leadership, I would expect the Senate to complete its business at a regular hour, in the range of 6 o'clock, on Friday.

I do not see the prospect of a Saturday session this weekend unless we run into great difficulties today or Thursday or Friday.

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

RECOGNITION OF THE ACTING MINORITY LEADER

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

Mr. TSONGAS. Mr. President, I also have time on the agenda, but I will yield to the Senator from California, and then I will speak after he has finished. I will reserve the minority leader's time.

The PRESIDENT pro tempore. The Senator from California is recognized.

Mr. BAKER. Mr. President, before the Senator proceeds, may I ask the assistant minority leader—the acting minority leader if he has any need for additional time beyond the 10 minutes?

Mr. TSONGAS. I thank the majority leader for the title.

Mr. BAKER. I assure him, as I assured my long-time patron, the distinguished minority leader, that the minority leader's position does not entitle him either to the office or the car. [Laughter.]

Mr. TSONGAS. I was referring to assistant.

Mr. BAKER. I yield back the remainder of my time remaining under the standing order.

RECOGNITION OF SENATOR HAYAKAWA

The PRESIDING OFFICER (Mr. SIMPSON). The Senator from California.

SENATE JOINT RESOLUTION 123—NATIONAL DISABLED VETERANS WEEK

(Introduced by Mr. HAYAKAWA for himself and Mr. DOLE, Mr. EAST, Mr. INOUE, Mr. KENNEDY, Mr. SARBANES, Mr. HUDDLESTON, Mr. MOYNIHAN, Mr. BRADLEY, Mr. DOMENICI, Mr. GOLDWATER, Mr. QUAYLE, Mr. SASSER, Mr. WARNER, Mr. MELCHER, Mr. EAGLETON, Mr. EXON, Mr. PERCY, Mr. SCHMITT, Mr. LEVIN, Mr. LONG, Mr. FORD, Mr. DENTON, Mr. RIEGLE, Mr. MURKOWSKI, Mr. DURENBERGER, Mr. ARMSTRONG, Mr. LUGAR, Mr. ANDREWS, Mr. TOWER, Mr. BAUCUS, and Mr. WALLOP.)

Mr. HAYAKAWA. Mr. President, Wednesday marks the 43d anniversary of a special day which has been set aside to pay tribute to the soldiers, sailors, marines, and airmen who have honorably

and bravely served their country during times of war.

Traditionally, this has been a time for celebration and reflection, a time to honor the brave who fought and died in defense of this Nation, and a time for the living to lament the dead.

For a long time our country has recognized the need to pay tribute to its veterans. In 1938 Congress declared that November 11 of each year would be a legal holiday—a day dedicated to the cause of world peace and known as "Armistice Day." This day was originally set aside to honor veterans of World War I, but in 1954, after World War II, and at the urging of veterans service organizations, Public Law 380 was enacted and November 11 became a day to honor all American war veterans.

Tragically, not every soldier returning from war returns whole. Today I would like to bring to the attention of my colleagues this select group of veterans, the disabled, who deserve special recognition.

Currently, there are 2½ million disabled veterans in America, over 200,000 live in California. Their disabilities range from the permanent crippling injuries of the paraplegics, amputees, blind and deaf to the delayed stress syndrome from which many of the Vietnam veterans suffer.

Every disabled veteran has individual and specific needs which must be met if they are once again to become productive citizens. There are approximately 50,000 blinded veterans in the United States with hundreds more going blind every year. Frequently blindness is not their only disability. These veterans may also have additional facial or head injuries, such as hearing loss, or may have lost the use of an arm or leg.

Eighty percent of all blinded veterans are employed. These individuals need help to become reoriented and readjusted. They need assistance in obtaining vocational training and career guidance. We all know that the blind are able to work and there are many kinds of work that they can do. The greatest obstacle to their employment is the mistaken belief of the employer that blind persons cannot work. Organizations such as the Blinded Veterans Association (BVA) offer encouragement to blinded veterans and have outreach employment programs which actively seek employment opportunities for the blinded veteran. The dedication and hard work of the BVA field representatives, who themselves are blind, has accomplished a great deal.

The problems of paralyzed veterans are unique and deserve to be addressed. Unemployment figures for persons suffering from paraplegia vary from 14 to 44 percent. These distressingly high figures can be attributed to financial disincentives to productivity and negative attitudes of employers.

The public must be shown that these individuals are employable and make very capable workers.

Also, an emphasis on teaching the disabled must be stressed. In order to reduce prejudice these individuals must

solidly prove themselves to be capable workers. Emotional and psychological encouragement is very crucial in achieving this goal.

A surprising fact I recently discovered was that as much as 46 percent of deaths of persons who survive the critical phase of spinal cord injury may involve self-neglect or self-destructive behaviors. It is essential that paralyzed veterans be highly motivated in order to achieve success.

Fortunately, there are many organizations and programs which have been developed to help in the rehabilitation of paralyzed veterans and paraplegics. Programs such as wheelchair competition in track and field, basketball, football, and tennis do much for the disabled vet. Having recently become a certified scuba diver, I was excited to learn about disabled veterans using this sport for exercise and rehabilitation.

Apparently, diving can be a very worthwhile experience because of the feeling of mobility in three dimensions and the freedom from gravity it provides. Scuba diving is a sport at which it is difficult even for able-bodied people to succeed; for a disabled person to become a certified diver is a tremendous accomplishment.

The Paralyzed Veterans Association (PVA) is an organization set up to provide many of the counseling and rehabilitation programs I have mentioned. Their objectives are to obtain as much assistance for the disabled veteran as is needed to assure their physical, mental, and financial success. I commend these worthwhile goals.

Finally, I would like to mention the most recent, but perhaps the most difficult disability of many of our Vietnam war veterans—delayed stress syndrome. This disability is not a mental illness, but rather a delayed reaction to the enormous stress endured by American GI's during the Vietnam war period.

It is estimated that about 500,000 Vietnam era veterans are suffering from delayed stress. According to the Disabled American Veterans (DAV) the responses seen among veterans suffering delayed stress include bitterness, anger and anxiety, depression, loneliness, alienation, sleeplessness and inability to get close to others, flashbacks to combat and suicidal feelings, drug and alcohol dependence and much more.

We owe much to these veterans who did their duty and fought to support our Government and its policies. They did it because they loved America—we must reassure them that their loyalty has not gone unnoticed or unappreciated.

Already much has been done to assist these individuals. Recently Public Law 97-66, the Veterans Disability Compensation, Housing and Memorial Benefits Amendments of 1981 was enacted. This law will provide, among many things, increased disability compensation, automobile assistance, and housing benefits to the survivors of disabled veterans whose deaths were service connected. This Congress has also passed the Veterans Programs and Improvement Act of 1981, Public Law 97-72. This act provides an extension of the period for Viet-

nam era veterans to request adjustment counseling.

In addition, it extends eligibility for medical care for veterans exposed to agent orange or radiation. Both laws provide for important and much needed programs. Nevertheless, much more needs to be done.

While Congress has the ability to provide for the financial welfare of disabled veterans it has the moral responsibility to provide for their emotional welfare as well. We can legislate away some problems—others, we cannot. But for 1 week next November we can focus the Nation's attention on all brave men and women who have suffered military disabilities.

So, today, I would like to introduce along with 31 other Senators a resolution declaring the week of November 7 through November 13, 1982 as "National Disabled Veterans Week," to recognize and pay tribute to honorably discharged veterans who have incurred disabilities from military service. There is no way in which Congress or America can give back what has been taken from these brave individuals. All we can hope to do is let them know of our deep respect and appreciation for their service to our country.

Mr. President, I ask unanimous consent that the text of the joint resolution be printed in the RECORD.

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

S.J. Res. 123

Whereas there are 2,500,000 disabled veterans in the United States;

Whereas disabled veterans have sacrificed their well-being in the service of their country;

Whereas disabled veterans endure severe disabilities, such as loss of limb, paralysis, blindness, deafness, and delayed-stress syndromes;

Whereas 16 to 35 percent of all disabled veterans are jobless as a result of their disabilities; and

Whereas disabled veterans have made important contributions to the national welfare: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President is authorized and requested to issue a proclamation designating the week of November 7, 1982, as "National Disabled Veterans Week", in recognition of the contributions that disabled veterans have made to the welfare of the United States, and calling upon all Government agencies and the people of the United States to observe the week with appropriate programs, ceremonies, and activities.

● Mr. LEVIN. Mr. President, America's disabled veterans have given a great deal in the defense of their country, and it is fitting and timely that we recognize these sacrifices in a meaningful way. I rise in support of Senator HAYAKAWA's resolution calling for the establishment of "National Disabled Veterans Week" because this Nation can ill afford to forget the courage and dedication exhibited by disabled veterans both on and off the battlefield.

Senator HAYAKAWA's resolution calls for the public display of appreciation and commemoration in honor of those

who have sacrificed so much in the cause of liberty. The disabled veteran lives everyday with memories and challenges that most Americans can only begin to imagine. Long after the war has ended, long after the dead have been laid to rest, long after the names of the battles cease to have meaning, the war for the disabled veteran goes on.

We cannot replace what the disabled veteran has lost in our defense. However, we can; and must, show for such bravery our lasting respect and admiration.

National Disabled Veterans Week will encourage every American to turn their thoughts to the unheralded price of freedom. This commemoration will serve to educate the American people about the challenges faced by the disabled veteran attempting to rebuild a place for himself within society. Further, this week will stand testament to the ongoing display of courage and fortitude that makes the disabled veteran so very worthy of our admiration.

Tomorrow, November 11, marks the day that this Nation has set aside to pay due respect to all who have served in the Armed Forces in the defense of liberty. Senator HAYAKAWA's resolution is a fitting and appropriate memorial, offered at a most auspicious time, to courage and patriotism. I join with him in urging that this resolution receive swift consideration and passage.●

RECOGNITION OF THE ACTING MINORITY LEADER

The PRESIDING OFFICER. The acting minority leader is recognized.

Mr. TSONGAS. Thank you, Mr. President.

ALEXANDER PARITSKY

Mr. TSONGAS. Mr. President, tomorrow will mark yet another sad day in the struggle of Soviet Jewry. In Kharkov, Ukraine, in the Soviet Union, Alexander Paritsky, a leader in the Jewish community, will be put on trial on charges of slander against the Soviet state. These charges carry a maximum penalty of 3 years in prison. It is clear, however, what Alexander's real crime has been—he is a Jew who wishes to immigrate to Israel.

Since 1976, when he first applied to emigrate, Alexander Paritsky and his family have been subjected to persistent harassment from KGB officials in the Ukraine. This officially sanctioned harassment of the Paritsky family began when Alexander was taken to KGB headquarters, interrogated and threatened, and told to end his involvement in the Kharkov Jewish University, an institution which he helped found. Alexander's professional credentials as a doctor of ocean electronics were then stripped from him and the Soviet Government began publishing vicious articles in the Kharkov newspaper accusing him of black marketeering, racism, and propagandizing against the Soviet Union.

Other members of the Paritsky family have also felt the heavy hand of Soviet oppression. Dorina Paritsky, who is only 15 years old, was harshly interrogated by Soviet investigators at her school and

told to denounce her family. Paulina, Alexander's wife, has been repeatedly threatened with arrest. In an unprecedented move, Soviet authorities have also threatened Paulina with the possibility of losing custody of her two daughters. And those of us who have daughters I would hope would be sensitive to that. When Paulina attempted to obtain independent legal counsel for her husband, she was forcefully detained.

Mr. President, this past Sunday I attempted to call Paulina Paritsky in Kharkov to learn about the treatment she and her family have been forced to endure. Although my original call to the Soviet Union did not go through, a successful call was made shortly after my meeting with the Committee to Free the Paritsky Family in Boston. This was the first time the Paritsky committee has been able to talk with a member of the family in over 6 months.

Mr. President, today I am introducing a resolution, which is being introduced concurrently in the House of Representatives by Congressman FRANK, that calls upon the President and the Secretary of State to express at every suitable opportunity and in the strongest possible terms our opposition to the imprisonment of Alexander Paritsky. The resolution also urges the Soviet Government to release Alexander Paritsky, and the campaign of harassment against Alexander and his family, and finally, permit Alexander, Paulina, Dorina, and Anna Paritsky to immigrate to Israel and join their relatives in accordance with the final act of the Conference on Security and Cooperation in Europe, the Universal Declaration of Human Rights, and the International Covenant on Civil and Political Rights.

Mr. President, I have been deeply moved by the activities of the Committee to Free the Paritsky Family and I urge all my colleagues to support this important humanitarian effort.

Mr. President, at this point I would like to read into the RECORD the transcript of the conversation between Paulina Paritsky and two members of the committee who are in Boston, Lenny Marcus and Uri Sthern.

The call took place on Sunday between the Committee to Free the Paritskys in Boston and Paulina Paritsky who was at the post office in Kharkov.

TRANSCRIPT OF CONVERSATION BETWEEN PAULINA PARITSKY, LENNY MARCUS, AND URI STHERN

Date: November 8, 1981.

Key: Lenny Marcus (Lenny), Paulina Paritsky (Paulina), Uri Sthern (Uri). Half of the conversation is in English and the other half is in Russian and has been translated by Alla Kan.

LENNY. Paulina?

PAULINA. Who are you?

LENNY. Lenny Marcus in Boston. I spoke with you in April. Paulina, Senator Tsongas was just here but he already left, but we are anxious to hear news from you.

PAULINA. The trial will be the 11th of November.

LENNY. Do you have a lawyer?

Mr. President, I am going to read this as she spoke it. The first part is in English so the grammar is not totally correct, but I am sure my colleagues will understand.

PAULINA. No, I haven't. I tried to make a contact, but it is five days before the trial. The . . . (pause) Counsel (defense attorney?) said that he is busy with another contract, and I haven't a lawyer. I don't know nothing about the charge, nothing about my husband. I tried to go to Moscow for Counsel, but I was arrested at Railway Station and stopped and I can't. I asked . . . (pause) I know nothing about my husband, about the trial. I can't be at the protest (trial?).

LENNY. You can't be what?

PAULINA. Yes . . . because the Official invited me as a witness for the prosecution and because of that I can't be present at the trial.

LENNY. What is your situation?

PAULINA. I appealed to all my friends for help for my husband, for help to my family because they (Soviet officials) say that I also will be before the Court.

LENNY. You too?

PAULINA. I tried to defend my husband but I can't.

LENNY. What about Dorina and Anna (your daughters)?

PAULINA. Repeat please.

LENNY. Dorina and Anna, what about them?

PAULINA. They are so-so. Dorina was prosecuted and the investigator went to school where Dorina (age 15) is studying and we're in a serious situation.

LENNY. Paulina, I will give you to a friend and he will speak in Russian and give us all the information.

URI. Hello, Hello. I am from Moscow. I came from Israel to the United States to tell about the situation of Soviet Jews. If you can tell us something else in Russian, it may be easier. What is happening with you now?

PAULINA. I can tell you that the Investigator has been questioning witnesses. A lot of witnesses were questioned on my husband's case. Most of them were Jews, those who took part in the seminars and the study of the language (Hebrew).

URI. In the University? (The Kharkov Jewish University, developed by the Refuseniks in that city to study both secular and religious topics).

PAULINA. I don't even know what is in his case. I even couldn't hire a lawyer. I was trying to find a lawyer and had almost made the arrangements. He (the lawyer) promised me. The lawyer's name is KORABLOV. On the fourth of the month (November) a week before the trial, he told me that he is engaged in another case, and he refused (to be our lawyer).

URI. Oh yes, I heard of that. You were taken off the train.

PAULINA. Yes, to go to Moscow. I was trying to go to Moscow, but they (Officials) wouldn't let me go onto the train. They showed me a search warrant and they took all my papers and letters. I had wanted to see a lawyer in Moscow to make arrangements. I was searched and everything was taken from me. They wouldn't let me go to the prosecutor's office and then they called me as a witness (for the prosecution).

URI. O.K., I understand.

PAULINA. And I flatly refused to be a witness (for the prosecution). Then the Investigator, in a deceptive way, tried to . . .

URI. What do you mean by deceptive?

PAULINA. He told me that there is a request written by my husband, a note written from him. It was a lie. There was not a note. The last time I saw the Prosecutor, he said that

¹ All notes in parentheses are explanations and not direct quotes.

² Explanation: A witness for the prosecution cannot be present during the trial until he/she is called to testify. After the testimony, the person may remain until the end of the trial.

I already have 1 foot in jail. I will go after my husband, accused by the same article of law. Also, my daughter was questioned in the school. The Prosecutor and Investigator came to her school and interrogated my 15-year-old girl.

URI. In school?

PAULINA. Her composition which she wrote when she was 13 years old about her motherland being Israel . . .

URI. I know about this. It is printed right here in English and I have read it.

PAULINA. They consider that this composition was written by my husband. Probably this is also in his case and probably this will be presented as part of his guilt.

URI. O.K., I understand. Do they still threaten you? Oh, I am sorry.

PAULINA. I am constantly being followed. I cannot leave Kharkow nor can I make a call.

URI. Oh, my God.

PAULINA. Slander.

URI. Do you mean the accusation against your husband?

PAULINA. My husband is accused of spreading slanderous fabrications, defaming the Soviet Union.

URI. Yes, I know, but what materials are against him? The composition? The petition? (A petition signed by all Kharkow Refuseniks protesting emigration policies of Ovir).

PAULINA. They asked me about the composition.

URI. Well, that's very interesting. Did you know that people from Boston are calling you regularly at the Post Office?

PAULINA. The calls for me are not put through. I sometimes spend over two hours in the post office and the call is not put through.

URI. At this moment, we have a big meeting here, and in this city there is a lot of activity in the political arena and politicians are involved.

PAULINA. I appeal to all to help my husband somehow.

URI. Yes.

PAULINA. In the beginning, before the investigation started, the Investigator told me that very severe punishment is awaiting my husband—and the investigation had not even started yet. He will spend time in jail and then maybe he will leave (the Soviet Union). I will try . . .

URI. I am going to say good-bye and will give the telephone to Lenny Marcus. You hold on . . . Say hello to Tanya Frenlik if you know her.

PAULINA. No, I don't.

URI. I am giving you to Lenny Marcus who organized all this. Goodbye.

LENNY. Paulina, this is Lenny again. I want you to know that as we speak now, television cameras are recording your conversation, it is on radio and it is reported in the newspapers. This week Senator Tsongas from Massachusetts and Representative Barney Frank from Massachusetts will introduce resolutions in the U.S. Senate and U.S. House of Representatives to ask for your freedom, and Alexander's freedom, and Dorina's and Anna's. And I want you to know that you, and Alexander, Dorina and Anna are honorary citizen of the City of Boston and all of the people of Boston send a wish for your freedom and we are with you.

PAULINA. Thank you. Give my regards to all our friends.

LENNY. There are 150 people in this room now who send regards to you.

PAULINA. Thank you.

LENNY. Here is Uri, again.

URI. Well, hold on. What else can I say? I understand what all of that means.

PAULINA. It's all very complicated.

URI. I understand. They are doing everything (the people who organized the rally) and you are the honorary citizens of Boston. The Senators who are involved, Tsongas and

Kennedy, are very influential people. Well, you know . . . What can be done? Everybody here will try. Local authorities made a mistake in the case of your husband, and it will be corrected in time. Let's hope for that.

PAULINA. Thank you.

URI. Don't mention it. Hang in there. Good-bye.

Mr. President, I urge my colleagues to agree to the resolution inasmuch as the trial takes place tomorrow.

ROUTINE MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, there will now be a period for the transaction of routine morning business, not to extend beyond the hour of 10 a.m., with statements limited therein to 1 minute each. Is there morning business?

FOUR-SCORE AND TEN

Mr. ROBERT C. BYRD. Mr. President, Thomas Carlyle wrote, "Biography is the only true history." Many historians, indeed, contend that the central factor in creating history are the actions of great men and women.

Be that as it may, next Sunday is the 90th birthday of one great American who has more than once been central in creating modern history. For most of the last five of his nine decades, that man has served in public life. To an extraordinary extent, that man has been an adviser and confidant of Presidents, kings, and prime ministers. That man is W. Averell Harriman.

Mr. Harriman embarked on his public career when he was in his early forties. He could have abstained from Government service and still enjoyed a life of exciting elegance. The heir to one of America's great fortunes, Averell Harriman was the son of E. H. Harriman, a brilliant railroad titan. But from his youth, Averell Harriman was nurtured in the philosophy that great wealth carried with it great responsibility. In response to that doctrine, in the 1930's, while still chairman of the Union Pacific Railroad, Averell Harriman began sharing his prodigious business and economic experience with the Federal Government. By the outbreak of World War II in Europe, Mr. Harriman had sufficiently won President Franklin Roosevelt's confidence to be appointed first as a Presidential liaison to London, later as the American Ambassador to the Soviet Union, and finally as our Ambassador to the Court of St. James.

After helping administer the historic Marshall plan and then serving as President Truman's national security adviser, Averell Harriman was in 1954 elected Governor of New York State. During the 1950's, Mr. Harriman was also twice considered for the Democratic Presidential nomination.

In the 1960's, Averell Harriman began a distinguished career as an exceptional traveling diplomat, serving usually under direct Presidential orders. Again and again, Presidents have since availed themselves of his talents and sought his counsel.

W. Averell Harriman embodies an ad-

mirable American tradition. Like several gifted and selfless private citizens in our history, Mr. Harriman placed his considerable skills and abilities at America's disposal. His patriotism, maturity, and perception have consistently served America's best interests.

Mr. President, I am sure that many of our colleagues share my appreciation for Averell Harriman's contributions to America and join me in wishing this great patriot, statesman, and fellow countryman our best wishes on his 90th birthday.

Mr. President, I ask unanimous consent that a column by James Reston entitled "Harriman at 90," which appeared in the New York Times on Wednesday, November 4, 1981, be printed in the RECORD.

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

HARRIMAN AT 90

(By James Reston)

WASHINGTON, November 3.—Averell Harriman, former Governor of New York, Secretary of Commerce, Ambassador to London and Moscow, among many other things, will be 90 in a few days, and he reminds us not of how old he is but how young this Republic is.

He has lived for almost half the life of our history as an independent nation. He was born on Nov. 15, 1891, when Benjamin Harrison was President. He has survived 16 more Presidents since then, and plans to stick it out for a while longer until he sees another Democrat in the White House.

The Democrats naturally share his hope. They don't have much to celebrate these days, but they're going to throw a big party for him here next week, with John Kenneth Galbraith speaking for the Roosevelt years, Clark Clifford for the Truman years, Senator Kennedy for the Kennedy years, Lady Bird Johnson for the Johnson years and Fritz Mondale for the Carter years. Republicans need not apply, but some of them, remembering that Mr. Harriman was once a Republican, will be there anyway.

At 90, he still looks and lives like a Republican—tall and nobly handsome, with his elegant house on N Street in Georgetown, and the house next door filled with his papers, and his house in Virginia, with its views of the Blue Ridge Mountains.

He has not avoided the trials of advancing years. His sight and hearing are impaired. But he has the newspapers read to him every day, and he swims every morning and is now writing a book on Truman. He keeps young by seeing the young and telling them stories of the men of his time.

For example, he remembers congratulating Stalin at the Potsdam conference after World War II for leading the Red Army to Berlin in the final defeat of the Nazis. Stalin was still aggrieved that Eisenhower had kept him from advancing farther West. "The Czar Alexander got to Paris," Stalin complained.

Mr. Harriman has long memories of Winston Churchill, whose former daughter-in-law is now Mr. Harriman's wife. He was in London in the critical months after Pearl Harbor as Roosevelt's special envoy, and returned to Grosvenor Square as U.S. Ambassador in 1946.

He recalls a conversation with Churchill in which he ventured to criticize the British parliamentary system. Churchill was not amused. Mr. Harriman says, and replied, "Few men are so gifted as to understand the politics of their own country, let alone criticizing the politics of another."

Mr. Harriman is not exactly a Horatio Alger rags-to-riches character. He inherited

great wealth from the Union Pacific Railroad from his father, who also bequeathed to him a Presbyterian conscience. He has been trying ever since to be faithful to his father's admonition that "great wealth requires great responsibilities."

He is not very happy these days about the drift in U.S.-Soviet relations. He has kept a cool and wary eye on the Russians ever since his service as our Ambassador in Moscow from 1943 to 1946. I remember his appearance at the San Francisco conference on the formation of the United Nations, when he warned about the objectives of Soviet policy, and insisted on a charter that would protect the rights of the free nations.

He has kept to this cautious skepticism about the Russians ever since, but is now vaguely depressed because he thinks the anti-Soviet temper of the Reagan Administration is going too far, and is leading to an arms race and even a revival of the cold war that may get out of control.

There is, of course, very little he can do about this now, but he keeps trying. He had lunch the other day with the Soviet Ambassador, Anatoly Dobrynin, and deplored the rancorous propaganda between Washington and Moscow. But he also observed that while President Brezhnev talked a great deal about peace, the Russians were still keeping their SS-20 missiles targeted on every European capital. How, Mr. Harriman asked, could we have peace or coexistence until these missiles were withdrawn?

This is his main regret: that he has devoted the last 40 of his 90 years to the belief that there will be no decent order in the world unless the United States and the Soviet Union somehow overcome their fears of one another, and reach some kind of accommodation, and on his 90th birthday he fears the trend is going the other way.

His happiest days were not when he was appointed to Federal office, but when he was elected by the people as Governor of New York, and his second regret is that he was defeated by Nelson Rockefeller for reelection.

But at his birthday party next week, everybody will call him "Governor," which is the title he likes best, and pay their respects to him for a long life of public service. This, however, is not likely to satisfy him. As his wife says, he has "a whole dungeon of papers" next door on N Street, and is determined to sort them out, so that younger men will remember at Georgetown University or somewhere else what he is likely to forget.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. If there is no further morning business, morning business is closed.

EXPORT ADMINISTRATION AUTHORIZATION, FISCAL YEAR 1982-83

The PRESIDING OFFICER. Under the previous order, the hour of 10 a.m. having arrived, the Senate will now resume consideration of S. 1112, which the clerk will state.

The bill clerk read as follows:

A bill (S. 1112) to authorize appropriations for the fiscal years 1982 and 1983 to carry out the purposes of the Export Administration Act of 1979, and for other purposes.

The Senate resumed consideration of the bill.

AMENDMENT NO. 627

The PRESIDING OFFICER. The pending question is on the Chiles amendment, No. 627, on which there shall be 30

minutes debate, with a rollcall vote thereon to follow immediately.

The Senator from Pennsylvania is recognized.

Mr. HEINZ. Mr. President, we spent a good deal of time yesterday on this subject. I think we debated the Chiles amendment and the Heinz amendment at some length. I move to table the Chiles amendment.

Mr. CHILES. Mr. President, when there is a unanimous-consent agreement that says there is going to be 30 minutes equally divided, I wonder if the Senator is playing exactly fair if he is going to move to table now.

Mr. HEINZ. Let me say to my good friend, Mr. President, as the Senator knows, I was going to move to table the Senator's amendment last night.

Mr. CHILES. No; I did not know. The Senator never told me.

Mr. HEINZ. Mr. President, I think we have adequately debated the issue and I move to table the amendment.

Mr. CHILES. I would like to make a parliamentary inquiry, Mr. President.

The PRESIDING OFFICER. The Senator's parliamentary inquiry is noted.

The Chair advises the Senator from Pennsylvania that a vote on a motion to table will not be in order since the agreement provides for a vote on the amendment.

Mr. HEINZ. I withdraw my motion, Mr. President.

The PRESIDING OFFICER. The Senator from Pennsylvania has his time.

Mr. HEINZ. I am prepared to yield back all my time if the Senator from Florida is prepared to yield back his.

The PRESIDING OFFICER. The Senator from Florida.

Mr. CHILES. I thank the Senator.

Mr. HEINZ. I am propounding a question to the Senator from Florida.

Mr. CHILES. The Senator from Florida is not prepared to yield back his time.

Mr. HEINZ. I withdraw my offer, Mr. President.

The PRESIDING OFFICER. The Senator from Florida.

Mr. CHILES. Mr. President, the Senate has a clear choice this morning about whether it wants to do anything about high interest rates. The Heinz substitute says that, since the prime interest rate is coming down, everything will be OK.

The Heinz substitute ignores the fact that home mortgage interest rates are not coming down at all, and that the housing industry is expected to remain at disastrously low levels of 1.2 to 1.3 million starts, compared to the 2 million we need each year just to replace the loss of old housing stock.

The Heinz substitute ignores the fact that the small businessman has to borrow at rates well above the prime, and that banks will simply not make credit available to small business.

Mr. President, I do not think we can take any comfort from the fact that interest rates are coming down due to a recession. The same factors remain out there that will drive rates back up when the economy recovers, which the administration says will be in the early spring. The huge tax cuts leave us deficits of over \$100 billion a year; the administration remains committed to a supertight

monetary policy. We just cannot wait 2 years for those policies to bring down home mortgage rates.

I think it is interesting, Mr. President, that the National Association of Homebuilders has supported the amendment that we are debating—the Chiles perfecting amendment that is before us today. These are the people who make up a major segment of our economy. They are the ones who, right now, are dying on the vine. They say, on behalf of their 123,000 members, that they are writing to "express our support for your emergency resolution directing the President to assure an adequate flow of affordable credit to small borrowers."

They go on to say that the record-high mortgage interest rates are having a devastating impact on the housing industry. Housing starts in September were down to an annual rate of 918,000, 56.2 percent below the peak level of 2.09 million in 1978. So we are currently in the midst of the longest housing recession since World War II.

The National Association of Homebuilders' forecast for 1981 assumed some moderation in interest rates by the end of the year, but they are estimating that only 1.07 million housing units will be started this year.

The drop in housing starts, they tell us, has a significant impact on the overall economy by raising the unemployment rate in construction trades. The official unemployment construction rate is 16.3 percent, which means over 828,000 wage and salary workers are out of jobs.

First-time home buyers in particular have been priced out of the housing market by high interest rates. Each 1 percent increase in interest rates puts a medium-priced house out of reach of over 860,000 families.

Mr. President, as we pointed out, the impact of high interest rates on housing is going far beyond housing to many other industries. One of the hardest hit is the timber and forest products. Mr. President, I ask unanimous consent to have printed in the RECORD at the end of my statement a recent position paper of the National Forest Products Association regarding housing and mortgage finance.

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

(See exhibit 1.)

Mr. CHILES. It is a particularly lucid interpretation of the awful economic impact of the current high interest rates policy. This paper makes particular points of two things that I think are important.

First, while we need some long-term restraint, we need short-term flexibility to avoid vast economic losses.

Second, they point out that the FHA and related Federal housing credit programs have been self-supporting and have played a vital role in developing new mortgage instruments to make housing available to more potential homeowners at affordable cost. The industry feels it would be a great economic mistake to cut back on these Federal programs during these difficult and changing times.

Mr. President, I think from these comments and the debates that we had yesterday, it is pretty clear that the choice is, do we want to adopt the Heinz sub-

stitute, which says everything is all right, interest rates are coming down; or are we ready to express ourselves as wanting to put our hand out to the President and say, "We want to support you in trying to do something about interest rates. We want you to meet with the Fed; we want you to come up with some voluntary guidelines that are going to send a strong signal to the financial and banking institutions that we do not wish to see money made available for mergers and conglomerate takeovers. We want to see that rationed amount of money out there reserved so it can go into the sectors of business that are productive to this country, that are actually creating employment; that we want to do something to stop some of the bankruptcies that are occasioned at such a rapid rate now in our small businesses."

We are going to send a signal to those small businesses and small farmers that we are aware of their plight, we are aware of the high interest rates they are being charged, and we are going to try to do something about it, recognizing that this is only one part of the puzzle, that fiscal restraint is just as important as this, but that we cannot ignore the monetary policy, especially when it comes to where money is now being used and where it is going for these nonproductive things.

Mr. President, I urge that we adopt the Chile's perfecting amendment, which 35 Senators have coauthored, and let us get on with trying to do something about this particular problem.

EXHIBIT 1

FOREST INDUSTRY POSITION—HOUSING AND MORTGAGE FINANCE, OCTOBER 1981

This statement reflects the policy of the National Forest Products Association on issues of housing and home mortgage finance. It is based on a paper by NFPA's Committee on Housing and Mortgage Finance submitted to the President's Commission on Housing and to committees of Congress.

SUMMARY

Immediate national economic problems, including a severe crisis in the home building industry, must be dealt with before real progress can be made toward long-term, antinflation goals. The immediate problems and challenges facing the home building industry include:

Reducing government borrowing, which is now crowding out private sector growth so essential to combat inflation;

Establishing and achieving non-inflationary monetary growth targets that provide sufficient capital for private sector growth;

Developing alternate mortgage instruments with secondary market and consumer acceptance;

Easing building and land use restrictions to lower the costs of home building;

Establishing policies that encourage capital formation;

Broadening the secondary market for mortgages;

Continuing existing unsubsidized government mortgage insurance programs while at the same time encouraging the development of private mortgage insurance programs;

Providing the means and support for a rapid transition to mortgage lending institutions that are competitive under a deregulated structure.

The forest products industry has been a strong supporter of the Administration's policies to control inflation by reducing pub-

lic sector spending and increasing private investments. The first round of budget cuts has been successful and the tax law changes should eventually encourage new capital formation. However, because tax revenues will be less than expenditures for the near term, federal deficits will continue. Until these deficits are substantially reduced, federal financing requirements will continue to compete with the demands of private credit markets. This means interest rates will not be reduced as expected, thereby raising the cost of federal borrowing and compounding the deficit problem.

In addition to these fiscal changes, the deregulation of financial markets is disrupting savings flows needed to support private investment. This has affected the assets and liabilities of lenders very differently, and many mortgage lenders are facing the prospect of bankruptcy. Deposits are being lost by traditional mortgage lenders, leaving these institutions unable to provide their normal support to new home markets.

The overall impact of these changing conditions is being felt in the homebuilding and supplier sectors, with serious long-term implications. Although home construction and its supplier markets have been weak for more than a year, the situation has become critical over recent months.

The backlog of available financing for homes has come to an end and builders are cancelling almost all development plans. Housing starts may well fall in historic lows with no immediate recovery in sight. This is in contrast to earlier projections of a recovery within six months. New orders for wood products have deteriorated to the point that operating rates and plant closures will almost assuredly be worse than any time since the 1930's depression.

NEEDED: A SUPPLY-SIDE RESPONSE IN HOUSING

Without an immediate recovery, major portions of the housing industry may not survive. This industry has gone through peaks and valleys many times, but builders and suppliers of products such as lumber and plywood recognize that this is no normal business cycle.

The homebuilding industry and its suppliers could lose as much as 25 percent of their production capacity in this housing slump. Much of this capacity will not be restored in the long term, contributing to even more inflationary housing shortages.

Current tight money and high interest rates will not stop the demand for housing from accelerating. In the 1974-76 period, when new home construction was curtailed below the level of demographic demand, the result was a record shortfall of supply relative to demand. This shortfall triggered an enormous increase in home prices starting in 1976. These inflated prices have resulted in appreciation in housing prices exceeding one trillion dollars an amount dwarfing even the asset shifts caused by oil price increases.

Appreciation in housing prices has greatly increased the demand for mortgage credit for existing homes. Real estate contracts between individuals have mushroomed, replacing institutional lending. These contracts must be refinanced in the next few years, thus giving rise to further congestion in financial markets.

To reduce these inflationary demands on capital markets, the supply of new homes must be increased. Housing is a capital asset like plant and equipment. When supply is restricted, inflationary forces are induced with serious long-term consequences.

These new forces in the economy are working against the goals of increased private investment and reduced inflation. The future inflation in home prices that can be expected to continue as a consequence of increasing shortages will further fuel price expecta-

tions, wage demands, increased transfer payments, and worsening deficits.

Immediate steps are essential to avoid these problems and to assure success for the Administration's long-term economic program, which has been so broadly supported.

DEFICITS MUST BE REDUCED TO ALLOW ADEQUATE PRIVATE INVESTMENT

The Economic Recovery Tax Act of 1981 and current economic conditions have made it clear that additional federal spending cuts are essential in the near future. These additional budget cuts will not be without economic, social, and political costs. The homebuilding and supplier industries will not be exempt from their fair share of these spending reductions.

New spending reductions must be multi-year programs so that longer-term planning certainty can be introduced into the economy. To prevent a worsening crisis in private capital markets, significant new federal budget cuts need to be enacted now.

Further budget cuts of at least \$20 to \$30 billion are needed in fiscal year 1982. Without these cuts, severe competition between government and private users of a limited capital market will continue. This will prevent interest rates from declining, making it impossible to reach the targeted goal of no more than a \$43.1 billion deficit for fiscal 1982.

Spending must be balanced with the revenues that will be collected. Crowding out by government borrowing, which is now constricting private capital markets, will only worsen unless immediate budget cuts are identified and enacted by Congress.

As new fiscal spending constraints begin to work in the economy, expectations of continued inflation will be reduced and credit market conditions will again support private investments. These are the key to a permanent turnaround in inflation. The investments are necessary to improve our country's productivity as well as to support a housing recovery—and thus reduce the inflationary pressures of a worsening housing shortage.

CREDIT CONDITIONS ARE PREVENTING A PRIVATE SECTOR SUPPLY RESPONSE

Credit conditions need to be tightened in the economy for the foreseeable future. They have been too loose too long, with spiraling inflation the result. Also, an excessive relaxation of the Federal Reserve's monetary aggregate growth targets would be counterproductive.

However, a more complete look is needed at the role of money supply growth restraint in the economy as an element of the government's anti-inflation policy. The link between the growth of money supply and economic activity is imprecise under the best of circumstances and is especially difficult to establish at present. Interest rates have attained record levels, structural changes are occurring throughout the financial markets, and financial sector deregulation is proceeding—all of which add to the difficulty in determining proper monetary targets.

A healthy, non-inflationary private sector requires a certain level of credit growth for sustenance. When that need is coupled with large government credit demands a short-term credit growth rate larger than longer-term monetary target rates may be appropriate. These credit market requirements—and conditions in labor and product markets—must be considered when economic policy is formulated and implemented.

As now constituted, money targets are causing a reduction in private sector investment, as attested by present conditions in housing markets and record real interest rates. Economic policy which results in a tightening of credit markets to such a point that there is no chance for any "supply-side" response is not efficient in either the short or long run.

When labor markets are underemployed and when other intermediate and final demand markets are severely underutilized, especially in credit-sensitive sectors, a relaxing of credit conditions is not inflationary. This is the present need in housing, as well as other credit sensitive sectors of the economy. Conversely, when markets are fully employed, additional or surplus credit is almost purely inflationary. This is the condition that has prevailed too often, and must not be allowed to develop in the future.

As efforts to reduce the federal deficit are successful, the long-term commitment to gradually reduce the growth of the monetary aggregates must continue.

In the development of monetary control targets, the forest products industry recommends that specifically agreed-to target reductions in government deficits be incorporated with adequate private capital for investment. This will assure adequate capital to make progress toward the long-term goals of the economy without introducing the inflationary consequences of past policies.

The integration of these fiscal policy and monetary policy propositions needs to be re-emphasized. A more austere fiscal stand, beginning immediately, is a necessary condition to this reinterpretation of the monetary-capital targets. If fiscal policy is not adequately tightened, more inflation will result.

DEREGULATION FORCING NEW INSTRUMENTS FOR HOUSING FINANCE

The combined effect of increased housing demand, record high interest rates, and structural changes resulting from the Depository Institution Deregulation and Monetary Control Act of 1980 will make it difficult for traditional mortgage lending institutions to meet mortgage credit needs. It has been estimated that a mortgage credit gap of approximately \$31 billion annually will exist during 1980s. The expanded use of alternate mortgage instruments is essential for lenders to be able to offer financing and for consumers to be able to obtain mortgages during periods of volatile interest rates.

The forest products industry supports recent actions of the Comptroller of the Currency and the Federal Home Loan Bank Board in authorizing federally chartered financial institutions to issue adjusted-rate mortgages. Recent implementation of standard mortgage origination forms by the Federal National Mortgage Association should also substantially increase use of alternative mortgage instruments. Increased standardization of mortgage forms is urged, thereby facilitating increased market activity by non-traditional purchasers of secondary mortgage instruments. The shorter-term interest adjustment features of many alternative mortgages will also provide assistance to the thrift industry in dealing with its asset problem.

Experiences in other countries with alternative mortgage instruments has shown substantial consumer acceptance; however, initial consumer resistance is likely. Thus, it is important that the public is supplied with pertinent, understandable information about the different features of alternative mortgage instruments, and their suitability for each individual homebuyer.

A BROADER SECONDARY MARKET IS ESSENTIAL FOR HOUSING

The secondary mortgage market is relatively new, and its importance is increasing with deregulation. With the present economic squeeze on the thrift industry, a large proportion of mortgage lenders are operating as mortgage intermediators. The secondary market, similar to our highly developed corporate bond markets, has become a bridge between lending originators and investors. Expanded use of alternative mortgage instruments should allow mortgage rates to be tied to other long-term rates, minimizing

the severe fluctuation of short term rates that has been so prevalent recently.

The existence of both private and public secondary market entities provides an excellent partnership for developing new markets for mortgage instruments. The mixture of the Federal National Mortgage Association, the Government National Mortgage Association, and the Federal Home Loan Mortgage Corporation provides unique services for various types of mortgage lenders. GNMA alone has guaranteed more than \$115 billion in mortgage-backed securities and has pioneered numerous marketing innovations. Its marketing operations are not subsidized, and function on a self-sustaining user-fee basis.

An important feature of Federal National Mortgage Association is that it allows broader acceptability of mortgage instruments. This is of particular importance during periods of capital stringency and transition. Strong support should be given to continuing unsubsidized GNMA programs.

FEDERAL CREDIT PROGRAMS AND PRIVATE SECTOR ALTERNATIVES TO THOSE PROGRAMS

The forest products industry supports the continuation of the unsubsidized mortgage insurance programs conducted by the Federal Housing Administration (FHA), the Veterans Administration (VA), and the Farmers Home Administration (FarmHA). Since 1934 FHA has met the housing credit needs of more than 16 million families and has been a pioneer in establishing innovative mortgage instruments. Its existence has been the prime ingredient in providing needed mortgage credit at affordable cost. The non-subsidized portion of FHA is self-supporting and provides potential homeowners with an alternative for mortgage finance.

In addition, FHA provides stability in the consumer mortgage market, particularly in periods of limited conventional mortgage availability. While terms of conventional loans insured by mortgage insurance companies change with market conditions, FHA terms (other than interest rates) remain constant.

THE ROLE OF SPECIALIZED INSTITUTIONS FOR HOUSING FINANCE

The challenge facing the thrift industry today is how to continue providing home mortgages at a time when savers are demanding premium rates. Special attention should be given the needs of mortgage lenders, including new legislative initiatives that can provide a bridge for existing thrift institutions to adjust to the demands they will experience this decade. The problems that mortgage lending institutions have in attracting deposits in today's deregulated climate deserve immediate study and attention.

TAX ISSUES: HOUSING FINANCE AND FINANCIAL INSTITUTIONS

Tax policy probably has a greater impact on housing finance and credit availability than any other area of federal involvement. Since home buyers must now compete in the capital market for mortgage funds, tax policy which encourages capital formation is of critical importance to the housing industry.

The savings rate in the U.S. has declined to an all-time low point. During 1979 households saved only 4.5 percent of disposable personal income, the lowest annual rate in the last 35 years. This is less than one-half of the savings rate of most industrial nations.

A national savings rate target should be established and this target should be incorporated in the expected growth of capital markets and monetary targets. Since the expanded investment needs of the economy, including housing, must rely on the capital market, federal actions are needed to encourage greater savings and capital formation. The savings incentives contained in the Economic Recovery Tax Act of 1981 should provide additional encouragement for individuals to increase their rate of savings. The

forest industry is particularly interested in whether or not the "All Savers" certificate will have a favorable impact on mortgage rates and the liquidity of the thrift industry.

During this decade, expanding needs for credit will place increasing pressures on the capital market to provide credit at competitive rates. Housing demand during the 1980's will also reach an all-time high. Since the housing industry must obtain its financial requirements from the broad available capital pool, Congress should continue its program of removing the existing anti-capital biases built into the tax code.

Tax incentives designed to encourage greater construction activity would not significantly alleviate the present crisis facing the housing industry. The problems causing the greatest difficulties are: (1) constraints on credit availability; (2) regulatory restrictions, including those on land availability; and (3) interest costs. Tax subsidies designed to encourage building will not offer a solution to these problems.

OTHER REGULATORY COSTS CONTRIBUTING TO INFLATION IN HOUSING

The costs of meeting building code regulations and local land use controls have become an embedded element of inflation in housing costs, and, in turn, the Consumer Price Index and wage negotiations. These costs have contributed significantly to the shortage of building lots for housing. Federal, state, and local code restrictions are also adding to higher building costs. The combined effect is inflationary increases in home prices. A program to reduce regulatory costs would contribute significantly to lowering inflation in both home construction costs and real estate values. This would benefit the economy as a whole, through reduced credit demands and lower inflation.

The PRESIDING OFFICER. Who yields time?

Mr. HEINZ. Mr. President, yesterday, I opposed the Chiles amendment. The perfecting amendment the Senator from Florida has offered to his amendment is virtually identical. The amendment attempts to do something we know does not work. Credit allocations have been tried before. They are not the solution. Every time we try to solve one problem with a credit allocation, we cause another.

Mr. President, the Senate has a clear choice this morning whether or not it wants to do anything about high interest rates.

One of the things you cannot tell about these objectives, laudable as they may be—we would all like to see lower interest rates—is that you are going to get higher interest rates when you try to bring about lower interest rates in some part of the economy by legislative fiat.

Second, as was discussed at some length yesterday—I think the Senator from Wisconsin put it very clearly and very succinctly—the problem with high interest rates relates to the size of the Federal deficit; and the size of the Federal deficit is a question for which we in Congress are ultimately responsible.

The House of Representatives, acting first, under our Constitution, originates money bills and they come here, whether they are spending bills or tax bills, and it is our responsibility to deal with spending and tax matters so that we get the deficits down.

To simply say to the President, "What you have to do is politicize the Federal

Reserve Board, run the Federal Reserve Board," goes against everything most people in this body stand for. We do not want to politicize the Fed. We do not want any President to run the Federal Reserve Board. What we do want is a President and a Congress that will be fiscally responsible.

If we act on that precept and that principle, we will bring down these currently high interest rates—and even though they are down from 22 to 17 percent, I still think they are too high—and we will get these interest rates down not for just one group or another group but for everybody in this economy.

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

Mr. HEINZ. I yield.

Mr. PROXMIRE. Mr. President, I congratulate the Senator from Pennsylvania. I believe he has stated the case extremely well. I agree with everything he has said. However, let me put it in a slightly different way.

The argument has been made by the able Senator from Florida that what we need to do is to relieve particularly the high interest rates in the homebuilding industry. I have great sympathy for that. There is no question that the people in the homebuilding industry, the homebuilders, are flat on their back. Fine firms have gone bankrupt. Many young families want homes. They have that American dream, and they have saved for it, but they cannot buy because interest rates are too high.

However, where does the money come from? Either you have the Federal Reserve Board increase the supply of money, which is inflationary, and which the other side denies they want to do, as I understand it—they do not want to monetize the debt—or you get it from some other sector of the economy, or the Federal Government reduces its claims on the available amount of credit.

They say, "We would like to provide money for housing, for the automobile dealers, for the small business people, for the farmers." That is fine. But that is a colossal demand. From whom do you take it? Do you take it away from big business? They provide jobs. Virtually every State in the Union has a big corporation that provides a great number of jobs. In my State, in Kenosha, Janesville, and other parts of my State, if it were not for large corporations, we would have a very serious economic problem.

Take the problem of mergers. This has been attacked. Even with respect to mergers, there is no way we can take money out of that without reducing jobs.

For example, in my State, we have Schlitz and Heileman. Schlitz is in very bad shape. They have lost so much business that they are about to go out of business. Heileman is a smaller firm, with excellent management. There is no question that if they can merge, they can save many of those jobs. There are thousands of people in Wisconsin who depend on it, as well as thousands of people all over the country. If we deny that merger, it means jobs will be destroyed in that industry. This is true everywhere.

We have to be extremely careful about saying that we are going to allocate more from one sector to the other, because either we deny jobs or we destroy companies in the process.

The one safe policy that I think all Members of Congress agree we should follow is to reduce the Federal debt, to balance the budget just as soon as we possibly can, to reduce net off-budget borrowing. If we do that, we can ease the amount of credit available. Less credit will be demanded by the Federal Government and more will be available in the private sector.

That is the way to go, but that is not the way the Chiles amendment would go. The Chiles amendment, with all due respect, would require, one way or the other, an allocation of credit and would ignore the fundamental problem, which is the problem of getting our Federal fiscal house in order.

Mr. KENNEDY. Mr. President, I am pleased to join the other sponsors of this emergency amendment calling on President Reagan to take action to bring interest rates down.

Responsibility for the plague of high interest rates rests squarely with the President. In a very real sense, the Federal Reserve follows the flag. I am confident that if the President sends the proper signal to the Federal Reserve, the Fed will act to insure that assistance flows immediately to the critical sectors of our economy that are starved for credit.

But this interest-rate-induced recession for the rest of the economy long ago became a depression for the housing industry, the auto industry, small business, and small farmers. Unless the President acts now, these essential sectors of our economy will be damaged even more severely.

In addition to directing credit on an urgent basis to these important areas, the amendment we are offering also calls on the President to take action to prevent vast amounts of scarce credit from being siphoned from the economy for oil company takeovers and other nonproductive purposes.

A few weeks ago, we saw the first of the new wave of "oil wars" battles, in which some of the largest oil companies in the Nation obtained lines of credit worth tens of billions of dollars in their unsuccessful bid to take over Conoco.

Now, it is happening again. One of the largest oil companies has obtained a \$5 billion line of credit to finance its takeover bid for Marathon Oil Co. And Marathon has countered by opening a \$5 billion line of credit of its own, in order to finance its defense against the takeover.

It is wrong, and the worst kind of economics, to pursue a credit policy under which giant oil companies can borrow \$5 billion in a single day, while an average family cannot obtain a home mortgage even at the fantastic interest rate of 19 percent.

The crisis of high interest rates has now been compounded by the most recent figures on unemployment, which have brought even more bad news for the economy. The unemployment rate has surged to 8 percent across the Na-

tion, a rise of half a point in a single month. In Massachusetts, the rate climbed even more steeply, from 6.4 percent to 7.9 percent in the past month—the largest increase in any industrial State.

The soaring rate of unemployment is yet another symptom of our sick economy. In his Labor Day address to the Nation, the President promised that his economic program would bring "jobs, jobs, jobs, and more jobs." But so far, what we have seen is "lost jobs, lost jobs, lost jobs, and more lost jobs."

We are witnessing the disintegration of the Reagan economic policy. Their plan just will not work. It was flawed from the beginning. They pledged to restore prosperity. But instead they have given us what is likely to be the worst economic mess since the Great Depression—an unremitting assault of high interest rates, high inflation, rising unemployment, huge budget deficits, and now a serious recession.

The "misery index"—the sum of the inflation rate and the unemployment rate—is one of the measures President Reagan himself used in his campaign last year to describe the distress in our economy. When the President took office last January, the "misery index" stood at 15.8 percent. Now, it has climbed to 22.4 percent, an increase of over 40 percent in 9 short months.

The time has come for the administration to take off its rose-colored economic glasses and confront the crisis caused by its failing economic program.

Above all, the President must put his own house in order. His policy is divided three ways against itself, as tensions and conflicts escalate among the budget-balancers, the supply-siders, and the monetarists in the administration's councils—each tugging the President in a different direction on the economy. The President must choose. The administration must speak with a single voice on economic policy, not the three-headed monster we hear today.

As the President once asked, are we better off today than we were before? In November 1981, the answer is clearly no. Millions of Americans are far worse off today than they were in January when the President took office. The question the President asked has now come back to haunt him, and it is time he found a better answer.

What the country needs is a serious economic policy to deal with our serious economic problems. What we do not need is more tax increases or deeper spending cuts that hurt the middle class and the unemployed. What we do need are realistic steps to bring interest rates down and to stop this recession before any more workers lose their jobs.

I urge the Senate to adopt the pending amendment as a first important step toward achieving this goal. The well-being of millions of families and countless enterprises in our society hangs in the balance. The time has come for action to bring interest rates down and to bring our economy back to health.

● Mr. HUDDLESTON. Mr. President, the repercussions of the stubbornly high rates are shaking the very foundations

of our economy and we must find a solution to the problem soon. I believe that this amendment will help us focus our attention on the devastating problem and choose the necessary course of action we must take in the coming weeks.

I believe that there is a general consensus in the country today which accepts the fact that some sacrifices will have to be made in order to reduce inflation and provide incentives for economic growth. However, the evidence clearly shows that the high interest rates brought about by our present policies are having a substantially disproportionate impact upon certain groups within the economy.

There is no question that the brunt of this burden is now falling on potential homeowners, small businesses, small farmers, consumers, the auto industry, and small thrift institutions. I believe this inequitable distribution of the economic burden shows basic disregard for the principles of fair play which we operated under in the past. And I believe that we must bring an immediate halt to the policies which are contributing to it.

The housing industry is experiencing the deepest slump in its recorded history. Recent housing starts fell to the lowest level in more than 5 years and the prospects for the future do not look better. Most of this has been brought on by the excessively high interest rates which have sharply reduced the flow of money into the housing market.

When housing is down the effects are felt throughout the economy. Hundreds of housing-related businesses have closed their doors and thousands of people have been put out of work as a result of the ripple effects. And, more will surely follow.

However, far more damaging than these economic effects is the repudiation of the commitment this country made to provide affordable and decent housing for all its citizens. We hear a lot being said these days about preserving the family, but little concern is shown for the new families who are unable to afford their own homes.

Those who were priced out of the housing market by the high inflation rates now see their dreams of owning their own homes fading further into the distant future as a result of the unconscionable high interest rates.

Small businesses of all kinds are finding it more and more difficult to survive because of the excessively high interest rates which have deprived them of needed capital and lines of credit. Dun & Bradstreet reports that the bankruptcy rate is up 42 percent compared to the same period last year.

However, the plight of the small businessman is in direct contrast with the situation larger businesses now find themselves in. The corporate loan demand for larger businesses is on the rise and there appears to be plenty of credit for these companies regardless of the need.

In July the House Banking Committee reported that "at last count nearly \$40 billion worth of takeover lines of credit exist." While it is difficult to judge the merits of these mergers and takeovers,

it does appear that substantial lines of credit are readily available for what some would consider to be nonproductive purposes.

It increasingly appears that we may be in an economic situation where smaller companies are starved for credit due to excessively high interest rates and large corporations are taking advantage of the situation to make nonproductive acquisitions.

Some would argue that this is the normal competitive process and it is the expected result when the free market is allowed to work its will. However, I believe that this is not a "free market" in operation. The administration's economic policies have forced upon us an arbitrarily set tight monetary situation which is allocating credit through high interest rates to large businesses. This is hardly a situation which could be called competitive.

In the auto industry the news is also bad. Analysts were expecting a modest gain in auto sales in August. However, the expected 2-percent increase turned out to be 0.6 percent and predictions for the fourth quarter are for a continuing slump.

Net farm income fell 40 percent last year and the prospect of bumper crops and the high cost of financing inventories make the outlook exceedingly bleak. Farmers are now paying anywhere from 16 to 20 percent for financing and a substantial part of this is only short term. If the high interest rates continue, many small farmers will be forced out of business and only the larger ones will survive.

Traditionally, a tight monetary policy and high interest rates have been used as the weapon to fight inflation. However, when it is the primary weapon and is used to extreme, it also contributes to the inflation problem. The high interest rates will increase the net interest burdens on nonfinancial business organizations and these higher costs will certainly show up in the future economy as higher prices.

Balancing the Federal budget is another way of fighting inflation, but the excessively high interest rates are obstructing and delaying our efforts along these lines. The high rates mean that when the Federal Government borrows money to finance the existing debt, it must pay considerably more for that money.

This extra cost is in turn piled on top of the Federal debt. Throughout the 1970's the annual net interest rate charges amounted to about 7 percent of Federal expenditures. However, this has now increased to over 12 percent in fiscal year 1981. The high interest rates are literally adding billions of extra dollars to the Federal budget.

While it is obvious that excessively high interest rates are causing the United States severe economic problems, there is disagreement on why the rates are so high. Part of the reason is that the Federal Reserve is carrying out a tight monetary policy which can be expected to result in high interest rates. However, the severity and continuity of these high rates has produced conflicting

opinions as to the true underlying reasons.

After reviewing various economic reports, I am convinced that all of the fault cannot be laid at the feet of the Fed. Instead, it must be traced back to the inconsistent and contradictory economic policy which the administration has put in place.

By the beginning of the August recess the President had gotten everything he had asked for in regard to his economic program. The massive budget cuts had been agreed to and the much more massive tax cut was passed. All of this was done with assurance that this program would stimulate growth, reduce inflation, promote economic stability, and balance the budget by 1984.

However, it did not take much time for the illusion created by the administration to disappear and the realities to sink in. The realities are quite simply that the real figures do not support the rosy picture we were painted by the administration. The budget deficits, instead of receding into oblivion in 1984, are now growing larger with every new projection. Most economists now believe that it will be over \$100 billion by 1984. Once Wall Street realized this, we began to feel the feedback in the form of excessively high interest rates which would not come down.

These high interest rates should not be a surprise to most of us since they have been a part of the administration's economic program for some time. The President has consistently supported them and it is obvious that the Federal Reserve could not continue its extremely tight monetary policy without strong administration support.

However, none of this should come as a surprise because most economists agree that with a stimulative fiscal policy, the only effective weapon against inflation is a restrictive monetary policy. This dual and inconsistent economic policy has been graphically described by the chairman of the House Budget Committee as "the equivalent of stepping hard on the gas at the same time as you slam on the brakes. The result will sound spectacular—until either the brakes fail or the engine blows."

The American people were promised by the administration that it had the formula for stimulating economic growth, reducing inflation, lowering interest rates, and balancing the Federal budget. They have been delivered huge deficits, near record interest rates, a recession, and increasing unemployment.

I do not think that any economists, even the supply-siders, would disagree with the observation that it does not take a great deal of imagination or ability to reduce inflation by inducing a recession. However, we were promised much more by this administration. If the present economic situation is the introductory course in the new Reaganomics, I do not believe that the working people of this country can afford to sign up for the advanced degree.●

● Mr. BRADLEY. Mr. President, high interest rates have driven the economy into a disturbing recession, leaving countless bankruptcies and high unem-

ployment in their wake. The damage being done to our economy pains me because of the cost to our citizens and our national strength, and it disturbs me because it was not necessary. Rather it was the direct result of the irresponsible economic policy demanded by this administration. It was the direct result of a policy which forced the Federal Reserve to conduct a tight monetary policy to combat the inflationary pressures released by the administration's expansionary fiscal policy.

Mr. President, we cannot allow ourselves to forget for 1 minute that the reason for the high interest rates is this fiscal policy, a policy which even the President now admits will preclude a balanced budget by 1984, and which some of the President's advisers are said to now recognize will produce a 1982 deficit near \$100 billion.

The response of the Federal Reserve to this kind of fiscal policy was predictable: To restrain the inflationary pressures of the President's budget by keeping monetary growth at low levels. In fact, the President's advisers encouraged the Federal Reserve to keep money tight. The budget had been made the victim of a careless personal tax cut. With a hemorrhaging budget and with administration encouragement, the Fed felt compelled to restrict the flow of money through the economy. That meant high interest rates.

Mr. President, I will vote against the resolution of the Senator from Florida and the substitute offered by the Senator from Pennsylvania because I believe they divert attention from the real cause of the interest rate tragedy—the President's fiscal program. The economic injuries and hardships described in the two amendments are correct, and I join in the urge to deplore current conditions and resolve to do something about them. But the solutions which the amendments appear to point to are wrong. The antidote to high interest rates is not loose money or credit controls or even exhortation of the Fed. Loose money will spur inflation, which risks driving long-term interest rates even higher. Credit controls risk diverting resources from more to less productive uses.

Distorting market decisions could exact a high price in the productivity growth we need to lower prices and restore competitiveness to our industries. And exhorting the Fed risks not only the result of an inflationary or distortionary monetary policy, but the diversion of public attention from the President's budget and revenue program, which is the real source of the economy's ills, including high interest rates.

Mr. President, I oppose high interest rates, I oppose the devastation of the housing industry, the crippling of the auto industry, and the debilitation of small businesses generally. I oppose all these things because they are destroying the lives of Americans today and their dreams for tomorrow. And I fear that the pains produced by the high interest rates today are mild compared to the pains that may be produced by the recession underway. Ironically, because of this re-

cession, interest rates are falling and probably will continue to fall, even dramatically. But we can take no pleasure in declining rates brought about by declining growth.

I cannot support a resolution that appears to me to divert blame from where it truly lies—with the administration's economic program of large and poorly structured tax cuts.

This program has placed us in a dilemma where continuing the President's loose fiscal policy risks unacceptably high deficits, while tightening fiscal policy by increasing or restoring taxes risks exacerbating the current recession.

If the President had kept his fiscal policy tighter, with a smaller and different tax cut, which permitted the Fed's monetary policy to be less restrictive, we would not be in this dilemma today. We would be moving the budget toward balance, and because of lesser monetary pressures, interest rates almost surely would be lower.

But conditions are what they are, and they are largely what the President's program has made them. They would not be improved by looser money, credit controls, credit allocations, or time spent cajoling and criticizing the Federal Reserve Board. Therefore I will vote against these resolutions. By doing so I reaffirm my commitment to work with the President and my colleagues to correct the damage, including high interest rates and recession, being done to the economy by the administration's current tax and spending program for fiscal year 1982 and the outyears.●

HIGH INTEREST RATES: PUBLIC ENEMY NO. 1

Mr. ROBERT C. BYRD. Mr. President, I rise in support of the amendment offered by Senator CHILES. We are at a crisis in the credit-sensitive sectors of our economy. Whatever hope the supply side miracle may have held out to our jobless citizens is swept away by sky-high interest rates that make new investment unprofitable.

The Chiles amendment directs the President by November 25, 1981, to work with the Federal Reserve Board to assure an adequate flow of credit to small borrowers. It requires that particular attention be paid to reducing home mortgage rates and increasing employment.

The amendment also directs the President to limit large-scale diversion of credit to nonproductive uses, such as conglomerate mergers and corporate takeovers. This amendment takes strong action to bring interest rates down now, and let the economy begin to grow.

There has been much talk about declining interest rates lately, and it is true that the prime rate has fallen to 17 percent. But is 17 percent something to be satisfied with? Is it a rate we can tell our Nation's businessmen they should pay?

While the prime rate, and other short-term rates, are edging downward, long-term rates are staying high. Just last Thursday, 29 $\frac{3}{4}$ -year Treasury bonds sold at an all-time high of 14.1 percent, and mortgage rates continue to hover near 18 percent.

Unless long-term rates come down,

capital investment will not increase significantly, and the housing industry will not recover. Companies will be reluctant to use short-term money for capital investment, even if these rates are low, because the returns to capital investment are often many years in the future. Turning to housing, one simple fact determines the fate of that industry: The vast majority of our Nation's families cannot afford to buy a house at 18 percent interest. Until those rates come down the housing industry cannot recover.

The drop in short-term rates, while long-term rates stay high, reflects a combination of widespread confusion about the administration's fiscal policies, and the strangling effects of its tight monetary policy.

The lower short-term rates reflect the impact of the current recession, but the high long-term rates reflect a belief that after a small dip, inflation and credit demands will soar once more.

The administration's disarray on fiscal policy is only adding fuel to the fire. Investors will not accept lower returns on long-term investments until they believe that our Government has returned to a responsible fiscal policy. Unfortunately, every week brings new, and larger deficit predictions for the next 3 fiscal years.

Only a few months ago, \$100 billion deficits were characterized as out of the question. Now a \$100 billion deficit is widely predicted for this fiscal year. It may be hard to imagine deficits that large, but consider that to spend \$100 billion we have to spend \$1.60 for every second since the birth of Jesus Christ.

Last Friday, after assuring the Nation for 9 months that a balanced budget could be reached in 1984, the administration formally abandoned that goal. As a result of that announcement, the investment community, small businessmen, and labor leaders have no reference point against which to make their economic plans for the next few years. The administration must come forth with new, realistic deficit goals for fiscal years 1982, 1983, and 1984. There is no substitute for fiscal responsibility as a way to bring long-term interest rates down.

As the days go on, and this recession deepens, the importance of passing Senator CHILES' amendment becomes more clear. Unless interest rates come down, it will be next to impossible for the economy to recover.

The housing industry, which traditionally leads the economy out of recessions, shows no signs of improving. Yesterday's Wall Street Journal quotes a homebuilder in Kansas City as saying, "This fall, we builders will drop like leaves."

If the fall turns out to be anything like the first 9 months, there may be little left of the housing industry by year's end; 2,660 construction contractors had filed for bankruptcy by the end of September. That is up nearly 50 percent from the 1980 period. The rate for subcontractor failures is even higher, with bankruptcy filings up 120 percent from last year's figures.

No amount of supply-side rhetoric, or administration assurances will help the Nation's housing industry lead us out of recession. We need fast action, and the Chile amendment guarantees such action. I hope you will all join me in supporting this amendment today.

I ask unanimous consent that the full text of yesterday morning's Wall Street Journal article be printed in the RECORD.

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

BUILDERS' LOSSES MOUNT AS PROLONGED SLUMP IN HOUSING CONTINUES

(By G. Christian Hill)

KANSAS CITY, Mo.—Robert O. McCollom has the wistful, grizzled look of a prospector who once struck it rich only to lose it all to bad luck.

The look fits. The lanky, 39-year-old former schoolteacher began a home-building business in 1969, parlaying \$350 from the sale of an old Chevrolet into a fair-sized fortune by the mid-1970s. He gained a reputation for building innovative, well-designed homes. But in September, Mr. McCollom filed for bankruptcy, joining hundreds of home builders ruined by two years of high interest rates that have sapped sales.

Nonetheless, Mr. McCollom views his troubles with equanimity. "I made some bad business decisions," he says, "but they wouldn't have been fatal without the economic downturn." He adds, "This fall, we builders will drop like leaves."

OMINOUS ASSESSMENT

Most home builders and lenders agree with his ominous assessment. Builders have been hammered by the longest housing slump since World War II. Although many of them shut down early and trimmed inventories, others were caught with raw or developed land and partly built or completed homes, financed at steadily ballooning interest rates. With home sales at record lows, their huge carrying costs have finally exhausted the profits they made in the good years after the 1973-75 recession.

The current housing recession is markedly different from prior ones in the mood of despair it has spread throughout the industry. For the first time in 50 years, this usually optimistic breed doesn't see much chance of a recovery or a boom in the near future.

"Much of the building fraternity is reaching a shocking conclusion," says Merrill Butler, a California builder and past president of the National Association of Home Builders (NAHB). "That is, mortgage rates will stay high through much of 1981, and it is better to take your medicine now than in six months. The small builder is just being wiped out, and it's going to get worse."

In the first nine months of this year, 2,660 construction contractors filed for bankruptcy, up nearly 50 percent from the 1980 period, according to Dun & Bradstreet. In all of 1975, 2,262 contractors filed for bankruptcy. Bankruptcy filings by subcontractors have increased 120 percent so far in 1981 from last year. These trends are likely to continue because lenders' foreclosures on new housing developments have picked up in the last 60 days, especially in previously hot markets such as Texas and Southern California.

LOSING THEIR SHIRTS

And lots of builders are losing their shirts in ways that don't show up in the failure statistics. Some are handing projects back to lenders in lieu of foreclosure, which avoids a court action but still wipes out their entire investment. Others are subsidizing home buyers by paying lenders to offer below-market interest rates, or are auctioning off property or selling entire subdivisions to investor groups at cut-rate prices. These agreements cost them much of the equity they have built up over the years.

Builders aren't the only ones hurt by the housing slump. Some financial experts believe the national economy will remain sluggish without a robust recovery in housing, which accounts for 4 percent of the gross national product. The NAHB predicts that housing starts will total only 1.07 million units this year, down 18 percent from last year's 1.31 million starts and the lowest level since 1940. A further slowdown could lead the country into a sharper-than-expected recession.

And there are signs that the true depths of the plunge in housing starts haven't yet shown up in government statistics. Many lenders stopped making residential-construction loans at least two to three months ago. These include Royal Savings & Loan in Dallas, Gibraltar Savings & Loan in Houston and First Interstate Mortgage Co., a unit of First Interstate Bank in Los Angeles and one of the nation's biggest residential construction lenders. About half of the NAHB's 44,000 member builders have stopped building homes.

PENT-UP DEMAND

The industry's problems would ease if the recent decline in interest rates results in a sharp drop in mortgage rates from their current level of 17 percent to 18 percent for builders report tremendous pent-up demand for housing. Such a rapid recovery occurred after the 1974-75 housing slump.

But mortgage rates haven't dropped yet, and they probably won't until lenders are convinced that interest rates will keep falling and stay down. For now, most lenders believe that inflation, the Federal Reserve Board's tight-money policy and huge government deficits promise to keep long-term interest rates chronically high.

So the current decline in housing production, which started in November 1978, is expected to continue at least through mid-1982.

The collapse of housing starts and home sales also appears to be sparking a marked deflation in real estate, although the existence of such a trend is sharply debated by economists. Here in Kansas City, for example, builders say land prices have fallen as much as 25 percent and labor, materials and other construction costs as much as 25 percent to 40 percent, in the past 18 months.

One real estate man reports concern among homeowners in the affluent Johnson County suburbs of Kansas City, as partly completed subdivisions are abandoned by builders or neighboring homes are sold for significantly less than a year ago. In Palm Springs, Calif., builder Karl Bergehr auctioned off 38 single-family homes last May for an average price of \$205,000, about \$45,000 below the average price paid by buyers of identical units last year.

"No other postwar cycle has seen (such) a deflation in prices of homes and land," says Michael Sumichrast, the chief economist for the NAHB.

The average price of new homes sold in the 1981 third quarter rose just 0.6 percent, the smallest increase since the 1979 fourth quarter and down sharply from the 8.9 percent increase over the past 12 months. However, even these increases are supported largely by subsidies given to buyers through below-market-rate loans. Such loans represent hidden discounts of 5 percent to 10 percent from stated prices. If these costs are taken into account, home prices are falling, some observers say.

Other economists doubt that deflation is widespread. They regard reports of drops in home values as evidence of a short-term cooling of overheated prices in a few areas, rather than a long-term trend. But a staff member of the Federal Reserve Board says its governors are "horribly concerned" about the housing industry and the possibility of widespread deflation in housing. That would endanger both lenders and borrowers, who bank on the continuing value of real estate for their net worth and repayment of loans.

Builders' costly inventory of unsold homes, their most immediate problem, stands at about 300,000 units. That is below the 1974 level, but the annual rate of new single-family home sales also is lower now. As many as 25 percent to 50 percent of reported home sales end up falling through because buyers can't qualify for mortgage loans.

Builders also must compete with the inventory of existing homes for sale, which has swollen to an estimated five million listings as existing home sales have declined by nearly 50 percent from a peak recorded three years ago.

"In my opinion, the future is more bleak than in 1974, even though the oversupply of new housing isn't as great," contends John Opperman, First Interstate Mortgage's chairman. "We have an affordability problem we didn't have then, interest rates are higher and I think there is an overall expectation that housing isn't as good an investment as it has been in the past."

In the last few months, First Interstate foreclosed on five subdivisions in California, three in the depressed San Diego market. Another big West Coast banker, who has recently foreclosed on seven California projects, says "The end result of the squeeze on small and medium-sized builders will be lenders' re-assessing projects." He adds, "I can't see what will stop it, to tell you the truth."

In Dallas, Royal Savings & Loan since July has taken over 56 single-family homes worth about \$6.7 million. Builders handed them over in lieu of foreclosure. The S&L is having trouble selling them at their average appraised value of \$120,000 each, even though it is offering 1 1/2 percent mortgage loans with no origination fees and is paying an extra \$1,000 bounty to real-estate agents for each buyer they bring in. So far, it has 10 houses sold or under contract.

Most lenders are leaning over backward to avoid taking back property. In Houston, Superior Homes Co., a large home builder, has defaulted on its construction loans with Gibraltar S&L. The Houston thrift is deferring interest charges on about 60 homes as Superior attempts to sell them with heavily subsidized mortgages.

The outlook is grim, however. "Another six months of these interest rates, with sales volume as it stands, will have a severe impact on any builder's ability to maintain debt service," says Richard Knee, Gibraltar's vice president. "We can prepare ourselves to own some real estate." Superior's president, David A. Hall, vows never to return to building tract homes, and instead will concentrate on custom homes.

Mr. McCollom, the Kansas City builder, also won't be building homes again, at least not in the U.S. Up until the fall of 1979, he was constructing 10 to 11 custom homes a year, in the \$100,000 to \$300,000 range. He lived in a fancy house, flew his own airplane, and took lengthy scuba-diving and sailing vacations. "I spent a whole bunch of money," he recalls.

But in the classic case of bad timing, he began sales at a small subdivision in mid-October 1979, when mortgage rates were starting their rapid climb. Mr. McCollom was trapped with seven homes and 10 lots, \$1.2 million of debt and interest expense of about \$450 a day. In the next two years, he managed to sell three of the homes, two at prices as much as \$13,000 below his costs. Other tentative sales fell through as buyers couldn't qualify for financing. His carrying costs didn't fall because interest rates continued to soar.

He kept his head above water by turning to remodeling, which generated enough income to pay his debt interest. But that business evaporated on July 1, when subcontractors underbid him for \$200,000 of construction by 20 percent to 25 percent.

In September, Mr. McCollom, whose home-building business is incorporated, filed for protection under Chapter 11 of the Fed-

eral Bankruptcy Act. It is possible under Chapter 11 for a company to survive as a going concern after working out a plan to pay its debts.

Mr. McCollom contends that his liabilities exceed his assets by so much that he expects to lose everything in bankruptcy proceedings, including about \$100,000 invested in his houses. His creditors include four lenders and several subcontractors.

He now is looking for a job in Saudi Arabia, or some other developing nation, managing a residential construction project.

"The sad part about all of this is that when the housing market turns, nobody will be here," Mr. McCollom remarks, "I know I won't be coming back."

Mr. HEINZ. Mr. President, if the Senator from Florida is prepared to do so, I am prepared to yield back the remainder of my time.

Mr. CHILES. I will use a couple of minutes.

Mr. President, I listened with interest to what the distinguished Senator from Wisconsin said. While I know there is a merger such as the Schlitz merger which may be one of necessity, I do not think that speaks to the kind of merger that involved Conoco, the ninth largest energy company in the country. There was nothing wrong with their financial stability. In fact, one of their problems was that they had too much cash in the bank, too much reserves; and because of that, they were the target for a takeover, and they were taken over.

We see that happening with many other companies, not because of economic necessity but because of corporate greed as much as anything else. We are just going to go out there now and sop up credit and take over these particular companies. That is what we see happening out there, and that is the kind of thing we have to reverse.

The Heinz substitute would say that the current policies are working. The President has already said he is not going to be able to balance the budget in 1984. When the credit markets see the new 1983 and 1984 deficit figures in January, we can imagine that they are going to go wild. The President has said he will not accept any tax changes to balance the budget. The table I put in the RECORD yesterday shows that everything will be cut 36 percent, not 12 percent, and I do not think that could be possible. Certainly, a fundamental part of this is on the spending side, but a fundamental part of this is also on the monetary side.

Mr. President, I am prepared to yield back the remainder of my time.

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

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the Chiles perfecting amendment. On this question the yeas and nays have been ordered and the clerk will call the roll.

The bill clerk called the roll.

Mr. STEVENS. I announce that the Senator from Rhode Island (Mr. CHAFEE), the Senator from New York (Mr. D'AMATO), the Senator from Alabama (Mr. DENTON), the Senator from Arizona (Mr. GOLDWATER), the Senator from California (Mr. HAYAKAWA), the Senator from Kansas (Mrs. KASSEBAUM), the Senator from Idaho (Mr. McCLURE),

and the Senator from Oregon (Mr. PACKWOOD) are necessarily absent.

I further announce that, if present and voting, the Senator from Rhode Island (Mr. CHAFEE) would vote "nay."

I further announce that, if present and voting, the Senator from New York (Mr. D'AMATO) would vote "yea."

Mr. CRANSTON. I announce that the Senator from Arkansas (Mr. BUMPERS), the Senator from Nevada (Mr. CANNON), the Senator from Connecticut (Mr. DODD), the Senator from Hawaii (Mr. INOUE), the Senator from Rhode Island (Mr. PELL), the Senator from Mississippi (Mr. STENNIS), and the Senator from Hawaii (Mr. MATSUNAGA) are necessarily absent.

I also announce that the Senator from Vermont (Mr. LEAHY) is absent because of illness.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON), the Senator from Rhode Island (Mr. PELL), and the Senator from Vermont (Mr. LEAHY) would each vote "yea."

The PRESIDING OFFICER. Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 32, nays 52, as follows:

[Rollcall Vote No. 361 Leg.]

YEAS—32

Baucus	Hart	Metzenbaum
Biden	Hawkins	Mitchell
Boren	Heflin	Nunn
Burdick	Holmes	Pryor
Byrd, Robert C.	Huddleston	Randolph
Chiles	Jackson	Riegle
Cranston	Johnston	Sarbanes
DeConcini	Kennedy	Sasser
Eagleton	Levin	Williams
Exon	Long	Zorinsky
Ford	Melcher	

NAYS—52

Abdnor	Glenn	Pressler
Andrews	Gorton	Proxmire
Armstrong	Grassley	Quayle
Baker	Hatch	Roth
Bentsen	Hatfield	Rudman
Boschwitz	Heinz	Schmitt
Bradley	Helms	Simpson
Byrd,	Humphrey	Specter
Harry F., Jr.	Jepsen	Stafford
Cochran	Kasten	Stevens
Cohen	Lavett	Symms
Danforth	Lugar	Thurmond
Dixon	Mathias	Tower
Dole	Mattingly	Troas
Domenici	Moynihan	Wallop
Durenberger	Murkowski	Warner
East	Nickles	Weicker
Garn	Percy	

NOT VOTING—16

Bumpers	Goldwater	McClure
Cannon	Hayakawa	Packwood
Chafee	Inouye	Pell
D'Amato	Kassebaum	Stennis
Denton	Leahy	
Dodd	Matsunaga	

So Mr. CHILES' amendment (No. 627) was rejected.

AMENDMENT NO. 626

Mr. HEINZ. Mr. President, what is the pending business?

The PRESIDING OFFICER. Under the previous order, the Senate will now resume consideration of the amendment of the Senator from Pennsylvania (Mr. HEINZ), amendment No. 626, on which there shall be 30 minutes' debate with a rollcall vote thereon to follow immediately.

Mr. HEINZ. Mr. President, I do not know that there is much need to debate

the substitute. I think we have debated these issues pretty thoroughly and at length yesterday and again this morning at 10 o'clock. So I am prepared to yield back the remainder of the time on this side in order to expedite the vote on the substitute.

Mr. CHILES. I am ready to yield back my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Pennsylvania. The yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk called the roll.

Mr. STEVENS. I announce that the Senator from Rhode Island (Mr. CHAFEE), the Senator from New York (Mr. D'AMATO), the Senator from Alabama (Mr. DENTON), the Senator from Arizona (Mr. GOLDWATER), the Senator from California (Mr. HAYAKAWA), the Senator from Kansas (Mrs. KASSEBAUM), the Senator from Idaho (Mr. McCLURE), and the Senator from Oregon (Mr. PACKWOOD) are necessarily absent.

I further announce that, if present and voting, the Senator from Rhode Island (Mr. CHAFEE), and the Senator from New York (Mr. D'AMATO) would vote "yea."

Mr. CRANSTON. I announce that the Senator from Arkansas (Mr. BUMPERS), the Senator from Nevada (Mr. CANNON), the Senator from Connecticut (Mr. DODD), the Senator from Hawaii (Mr. INOUE), the Senator from Rhode Island (Mr. PELL), and the Senator from Mississippi (Mr. STENNIS) are necessarily absent.

I also announce that the Senator from Vermont (Mr. LEAHY) is absent because of illness.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON), the Senator from Rhode Island (Mr. PELL), and the Senator from Vermont (Mr. LEAHY) would each vote "nay."

The PRESIDING OFFICER. Are there any other Senators in the Chamber who wish to vote?

The result was announced—yeas 50, nays 35, as follows:

[Rollcall Vote No. 362 Leg.]

YEAS—50

Abdnor	Grassley	Pressler
Andrews	Hatch	Proxmire
Armstrong	Hatfield	Quayle
Baker	Fawkins	Roth
Bentsen	Heinz	Rudman
Boschwitz	Helms	Schmitt
Byrd,	Humphrey	Simpson
Harry F., Jr.	Jepsen	Specter
Cochran	Kasten	Stafford
Cohen	Lavett	Stevens
Danforth	Lugar	Symms
Dole	Mathias	Thurmond
Domenici	Mattingly	Tower
Durenberger	Moynihan	Wallop
East	Murkowski	Warner
Garn	Nickles	Weicker
Gorton	Percy	Zorinsky

NAYS—35

Baucus	Ford	Melcher
Biden	Glenn	Metzenbaum
Boren	Hart	Mitchell
Bradley	Heflin	Nunn
Burdick	Hollings	Pryor
Byrd, Robert C.	Huddleston	Randolph
Chiles	Jackson	Riegle
Cranston	Johnston	Sarbanes
DeConcini	Kennedy	Sasser
Dixon	Levin	Tsongas
Eagleton	Long	Williams
Exon	Matsunaga	

NOT VOTING—15

Bumpers	Dodd	Leahy
Cannon	Goldwater	McClure
Chafee	Hayakawa	Packwood
D'Amato	Inouye	Pell
Denton	Kassebaum	Stennis

So Mr. HEINZ' amendment (No. 626) was agreed to.

Mr. HEINZ. Mr. President, the pending business would now be to vote on the Chiles amendment, as amended. We have already had two votes on the Chiles perfecting and the Heinz substitute.

I have talked to Senator CHILES. I understand that, although the yeas and nays have been ordered, he would be amenable to vitiating them. Therefore, I ask unanimous consent that we vitiate the yeas and nays on the Chiles amendment as amended.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. MELCHER. Mr. President, the action that the Senate has just taken in agreeing to the substitute offered by the Senator from Pennsylvania is an action that does little or nothing to lower interest rates. With unemployment at 8 percent—meaning 8½ million workers are out of a job currently—with perhaps more loss of jobs to occur during the next several months due to high interest rates, this action by the Senate seems to be saying to the American people that we really do not need to do very much, or at least, we do not need to do very much at this time. Yet it is absolutely essential that interest rates come down quickly.

In the case of housing, with the fewest housing starts in the past several years, it comes as no surprise that the housing industry is in a depression. That affects a tremendous amount of Americans and is one of the causes of the high unemployment rate currently. It affects the realtors, surveyors, the ditch diggers, the laborers that work on housing, the carpenters and electricians and plumbers, the roughers and the building supply people, the forest products industry.

Mr. President, in all of these housing supply businesses, small business has had to retrench. That means job losses, also. The forest products industry, with the mills shutting down, the loggers out of work, the truckers that haul the logs out of work, also has tremendous job losses. All of this can be traced to high interest rates. Let me point out that Martin Mayer, member of the President's Commission on Housing, has recently stated:

The easiest way to knock \$20 billion off the deficit is to loosen the reins on the money supply and let short-term interest rates drop 4 percentage points. This would be a gamble, but continuing conflict between the highly stimulative fiscal policy and highly restrictive monetary policy is a sure loser.

No doubt interest rates below the rate of inflation are immensely inflationary in themselves. Mr. Carter and Fed Chairman G. William Miller proved that once again in 1978, but Treasuries at 11 percent would still show a real return. It is by no means certain that a 6 percent rate of growth in M1B coupled with a 7 percent rate of growth in the national debt is more inflationary than a 3 percent rate of growth in the money supply and a 10 percent rate of growth in the debt.

High interest rates are also clobbering agriculture and agribusiness, Mr. Presi-

dent. Jobs are at stake there also. The question is, are we acting fast enough? There is no reference in this amendment to the Federal Reserve Board and their requirement to have a monetary policy that reflects the goals of the country. The Board's powers come directly from Congress itself and we do have a responsibility to see that the vast authority granted to the Board by acts of Congress carry out a sensible and sound monetary policy that reflects the interest of the country.

We are not getting that now, Mr. President. We are sinking into a recession that could become a very deep recession. We do have a responsibility in the Senate to make certain that this does not happen.

Unfortunately this amendment treats the issue as if we can continue to drift and slide into deep depression. The amendment itself does not do anything of note. We should give a stiff reminder to the Federal Reserve Board that cooperation with the President and the President's goals are necessary. The President has been silent on this far too long. It is time now that we remind the President that the sole success of economic recovery depends upon reducing rates quickly. Present policies have not been satisfactory and adopting this little reminder that we do want to have lower interest rates simply is not enough.

There is need for great action, prompt action, bold action now, and we need immediate correction to reduce the rates. I respectfully submit that bringing the rates down 3 to 4 points within the next 60 to 90 days fits anybody's monetary policy. It could avoid a deep recession. That is exactly what we intend to do in the amendment we offered prior to the amendment of the Senator from Pennsylvania.

I regret that we are doing that, because I believe we are doing too little and not nearly enough. It is a serious and tragic error on the part of the Senate by not taking more positive steps at this time.

AMENDMENT NO. 625, AS AMENDED

Mr. ARMSTRONG. I ask whether the minority is ready to yield back the time on this amendment.

Mr. PROXMIRE. I am not sure what the pending business is.

The PRESIDING OFFICER. The amendment of the Senator from Florida (Mr. CHILES) as amended by the amendment of the Senator from Pennsylvania (Mr. HEINZ).

Mr. PROXMIRE. I misunderstood. Yes, we are ready to yield back the remainder of the time. I understand that the Senator from Florida does not wish to speak further.

Mr. ARMSTRONG. We also yield back our time.

The PRESIDING OFFICER. The question is on agreeing to the amendment, as amended.

The amendment (No. 625), as amended, was agreed to.

Mr. ARMSTRONG. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. PROXMIRE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, will the Senator yield for a brief moment?

Mr. MELCHER. Yes, I am glad to yield.

Mr. BAKER. Mr. President, may I inquire now of the managers of this bill and any Members who have amendments how much time it is going to take to finish this measure? Before anybody answers, I understand that some Members would like to see passage of this bill postponed for at least one amendment until after the Agriculture conference report. If we put this matter over until Thursday, Mr. President, we shall put it over until Friday and we shall put it over in competition with appropriation bills. I simply do not think we can do that. So, Mr. President, I urge Members to consider that we ought to try to finish this measure today. May I inquire now how many amendments we know of that are yet to be offered to this bill?

Mr. ARMSTRONG. Mr. President, if the majority leader would yield to me, the best advice we have at the moment is that there are no other amendments to be offered than the Dixon-Percy amendment, of which the majority leader is aware.

Mr. PROXMIRE. Mr. President, that is my understanding, too, that there are no other amendments except the Percy-Dixon amendment.

Mr. BAKER. May I inquire, then, Mr. President, if it is possible to get a unanimous-consent agreement?

Mr. PROXMIRE. If the Senator will yield, I am sorry, I have just been informed there is a possibility of a Robert C. Byrd amendment and a possible Kennedy amendment.

Mr. BAKER. I am sorry I yielded.

Mr. President, I was about to say if there is only one more amendment, could we agree to debate that today and have third reading and passage on Thursday? We have three amendments under the same question. Is it possible to take up all the amendments today, to put the bill over then and have votes, if rollcall votes are ordered, to occur back-to-back on Thursday? We already have an order to come in at 11 on Thursday and I would be glad to ask the Senate to adjust that time to accommodate it if we are going to have votes only on third reading and passage. We simply have to get to the State-Justice appropriations bill.

What I propose, Mr. President, is the possibility of a unanimous-consent agreement that only these three amendments would be in order on this bill; that debate will be concluded on them today; that no votes will occur after 1 p.m. in accordance with the previous order; that at a specified time on Thursday as yet to be determined, we shall begin to vote on these three amendments back-to-back, the first one to be 15 minutes, subsequent amendments to be 10-minute rollcall votes; that we have third reading without intervening motion, debate, appeal, or point of order; and that we go to passage on a 15-minute vote immediately thereafter.

I do not put that request now, Mr. President, but I ask if the managers of

the bill would be good enough to see if that would be agreeable. If so, I would like to put that request within the next 15 minutes.

Mr. PROXMIRE. Mr. President, I shall be happy to check. I understand that the Senator from Massachusetts (Mr. KENNEDY) will not offer his amendment. I was mistaken on that. The minority leader may or may not offer an amendment, but I shall discuss that with him in the next 15 minutes.

Mr. BAKER. I thank the Senator. I withhold, Mr. President, making that request but I urge all Senators to understand that such a unanimous-consent request will be made at or about 11:30 and that, in turn, will determine the schedule for the balance of this day and Thursday and how late we have to stay in on Thursday.

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

Mr. BAKER. Yes, I yield.

Mr. JEPSEN. Mr. President, I understand that the proposal not yet officially presented postpones the votes but does not at this point set a time certain for them. Is that correct?

Mr. BAKER. Not yet, Mr. President. That would be something we could adjust as it might be necessary to adjust on Thursday.

Mr. JEPSEN. I thank the majority leader.

AMENDMENT NO. 624

The PRESIDING OFFICER (Mrs. HAWKINS). The question recurs on the amendment of the Senator from Illinois (Mr. PERCY).

Mr. ARMSTRONG. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

The question is on the amendment of the Senator from Illinois.

Mr. KENNEDY. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KENNEDY. Madam 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. 603

(Purpose: To discourage the use of credit for large-scale corporate takeovers)

Mr. KENNEDY. Madam President, I send to the desk an amendment in behalf of myself, the Senator from Pennsylvania (Mr. HEINZ), the Senator from Wisconsin (Mr. PROXMIRE), the Senator from Washington (Mr. JACKSON), the Senator from Montana (Mr. MELCHER), the Senator from Ohio (Mr. METZENBAUM), the Senator from Michigan (Mr. RIEGLE) and the Senator from Maryland (Mr. SARBANES) and ask for its immediate consideration.

The PRESIDING OFFICER. It will take unanimous consent to set aside the pending amendment.

Mr. KENNEDY. I ask unanimous consent that the pending amendment be set aside.

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

The clerk will state the amendment.

The bill clerk read as follows:

The Senator from Massachusetts (Mr. KENNEDY), for himself, Mr. HEINZ, Mr. PROXMIRE, Mr. JACKSON, Mr. MELCHER, Mr. METZENBAUM, Mr. RIEGLE and Mr. SARBANES, proposes an unprinted amendment numbered 603.

At the appropriate place in the Act, add the following section:

EMERGENCY CREDIT CONSERVATION

SEC. . (a) The Congress finds that—

(1) Continued high interest rates are contributing to the current serious slowdown in the economy.

(2) These high interest rates are a principal cause of the severe decline in agriculture, small business, the housing and automobile industries, and other productive sectors of the economy.

(3) Large corporations and banks may have compounded the problem of high interest rates and contributed to the scarcity of credit by reserving billions of dollars of credit for the takeover of other corporations.

(4) Strong measures are needed at this time to discourage wasteful uses of credit and to conserve credit for productive sectors of the economy.

(b) The President shall take appropriate actions on a voluntary basis to encourage banking or other financial institutions to exercise restraint in extending credit for the purpose of unproductive large scale corporate takeovers. Such actions shall include consultation and cooperation with the Board of Governors of the Federal Reserve System.

Mr. KENNEDY. Mr. President, for the benefit of the Senators who wish to make their plans, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. KENNEDY. Madam President, I am prepared to enter into a 20-minute time limitation on the amendment, 10 minutes to a side, so that Senators may know more precisely when the vote will take place.

Mr. HEINZ. Reserving the right to object, I know of no objection on this side.

Mr. PROXMIRE. I have no objection, Madam President.

The PRESIDING OFFICER. Is there objection, providing that the vote will occur at the end of 20 minutes? Without objection, it is so ordered.

Mr. KENNEDY. Madam President, I yield myself 5 minutes.

Earlier this morning, I voted for the Chile omnibus interest rate amendment, which contained two key provisions. The first of those provisions urged the allocation of credit to sectors of our economy badly hurt by high interest rates, primarily the housing industry, the automobile industry, small business, and small farms. That amendment was defeated, but I continue to feel that it is needed. Nevertheless, at least for the present, the Senate has spoken and exercised its judgment on that issue.

This amendment is directed toward the second of the two features of the earlier amendment. It calls for the conservation of credit, by urging the President, in cooperation with the Federal Reserve Board, to encourage banks not to extend credit for unproductive large-scale mergers. This amendment we now offer is not a credit allocation measure. It is a credit conservation measure. It asks voluntary action by the President and the Federal Reserve Board to conserve credit by limiting its availability for large and unproductive corporate mergers.

All of us understand the principal target of this amendment. In recent months, some of the Nation's largest oil companies and other giant corporations have tied up huge amounts of credit in the takeover battles for Conoco and Marathon. These mergers are unproductive. They add nothing to the productivity of the Nation or even the oil industry. Instead of going out and exploring for oil and finding new oil reserves, these firms are simply using vast amounts of credit to buy up the oil reserves of their takeover targets. They would rather buy their oil than drill for it.

We are not talking here about any form of credit controls. It is my belief that banks should not be extending large amounts of credit, as they have done over the past few months, for nonproductive corporate mergers. By doing so, they are reducing the amount of credit available to critical areas of the economy such as housing, the automobile industry, small businesses, and family farms.

I believe that this amendment is a prudent and a reasonable indication of the feelings of the Members of the Senate and, I dare say, of the overwhelming majority of the American people. When credit is scarce and interest rates are extremely high, banks should not be extending credit for activities that are unproductive, that do not provide and that do not strengthen additional jobs. When small businesses and family farms are starved for credit and being driven into bankruptcy, credit should not be available for oil mergers and similar unproductive activities. This is a measure which we should endorse, and I hope the Senate will adopt it.

This is not an unusual idea. On past occasions, when interest rates have been high, Chairman Volcker of the Federal Reserve Board has subscribed to this concept, and has urged its member banks to limit the extension of credit for such purposes. What we are basically saying to the Federal Reserve Board is, "You have found this step to be propitious at other times; now we are urging you to find it to be propitious at the present time with regard to nonproductive mergers."

Madam President, I reserve the remainder of my time.

Mr. HEINZ. Madam President, I am going to support this amendment, and I am going to do so because I think it is a reasonable approach, although not a perfect approach, to a difficult problem. I do not know that we have any evidence, one way or the other, that corporate mergers and takeovers are, in fact, the

cause of high interest rates. The people I have talked to, and I have talked to a number of them, say that it is very difficult to conclude that with any certainty at all. There certainly are some suspicions and possibilities of that and, as a result, the amendment reflects some concern in finding that that is a possibility, without coming to the conclusion that corporate takeovers may be having an impact on interest rates.

I can support this amendment, Madam President, because it says that large corporations and banks may—we do not know, they may—have compounded the problem of high interest rates and, therefore, may have contributed to the scarcity of credit by reserving billions of dollars in lines of credit for the takeover of other corporations.

The second reason I can support this amendment is that the only thing it does is ask the President to take a look at this problem and, on a purely voluntary basis, to encourage banking and other financial institutions, also on a voluntary basis on their part, to restrain the extension of credit for the purposes of unproductive, large-scale corporate takeovers.

I think the key word there is "unproductive," Madam President. Obviously, there are takeovers, large and small, that are very productive, very necessary, and it would be a great mistake to think—and I commend the Senator from Massachusetts for recognizing this—that corporate takeovers are, per se, bad. There are many that allow corporations to make investments, to modernize, to expand, that result in more jobs for the American people.

Clearly, we can and we should do whatever is appropriate to discourage unproductive uses of our capital; and when the formulation is that this is to be done on a purely voluntary basis by those concerned, it is a formulation that I can support.

However, I want people to understand that if I thought for one moment that this was some kind of back-door attempt at intimidating people, or if I thought for one moment it was a back-door attempt at credit allocation, to which Senator PROXMIRE and I are very strongly opposed, or if it is an attempt to intimidate the Fed from following a responsible course of action, I would not support this amendment.

In my judgment, this amendment is simply an expression of concern. It is an expression of concern about high interest rates, first and foremost; and I do not know of anybody who can disagree with that expression of concern.

It says:

Congress finds that continued high interest rates are contributing to the current serious slowdown in the economy.

Madam President, who can disagree with that? That is absolutely correct.

It goes on to say:

These high interest rates are a principal cause of the severe decline in agriculture, small business, the housing and automobile industries, and other productive sectors of the economy.

That is absolutely true. Nobody can argue against that proposition.

It says that lines of credit being reserved for unproductive takeovers may be compounding this problem. That very well may be—not necessarily. We cannot disagree with that.

It says that measures are needed at this time to discourage wasteful uses of credit. I do not know anybody who is for wasteful uses of credit.

In adopting this amendment, Congress should not lose sight of the fact that the way we are going to make most progress on interest rates, on the recession, on helping our small business people, our homebuilders, and those who want to buy automobiles is to continue the progress we are beginning to make on fiscal policy, which is not nearly enough, to get our deficits down—and certainly we should not allow them to go up—to try to establish in this year and future years responsible fiscal policy, and take the actions this body needs to take to make it a reality. That is what we should be doing.

So I hope nobody misunderstands this amendment. This amendment, no matter how good anybody may think it is, may say it is, or may believe it is, must not be construed in any way as taking the heat off Congress to cut unnecessary spending, to do whatever we have to do to get the deficits down and ultimately balance the Federal budget.

On that basis, Madam President, I am prepared to support this amendment.

Mr. PROXMIRE. Madam President, will the Senator yield?

Mr. HEINZ. I yield.

Mr. PROXMIRE. Madam President, I support this amendment. I think it is a moderate, reasonable, and necessary amendment.

I am reminded that in the Conoco-du Pont case, the charge was that lines of credit up to \$25 billion were involved. The du Pont Co. may have borrowed less than that, but it was billions of dollars. It was tied up and prevented from going into other productive enterprises.

What this amendment does, as I understand it, is to send a clear signal to the Federal Reserve Board that financing corporate takeovers may be contributing to high interest rates. It may be, but I think it is something they can look at. They are an expert agency. They have one of the finest staffs in Washington. Some takeovers—no question about it—do involve absorbing credit that could go elsewhere in the economy.

We also ask the President to take appropriate action to encourage voluntary restraint of credit, as the Senator from Pennsylvania has pointed out, for non-productive takeover purposes.

I should like to give an example of "nonproductive." The Senator from Pennsylvania gave some excellent reasons, also.

I point out that one of the most important elements in a takeover is to bring better management to a firm that might be failing. Today, we have literally hundreds of savings and loan institutions in trouble. They can be saved only through mergers. With better management, they can make it.

In my State, the Schlitz Brewery is in very serious trouble. The only way it

could be saved is with top flight management. The Heileman Brewery, which is smaller, has that kind of management, and that merger would be productive and should be encouraged.

This does not in any way interfere with the independence of the Fed, as I see it. It maintains the independence of the Fed. It provides for consultation with the Fed, in cooperation with the Fed, and that is the way it should be worded.

I am proud and happy to be a co-sponsor of the Kennedy amendment, and I hope the Senate will support it.

Mr. KENNEDY. Madam President, I welcome the strong support of both the floor manager and the ranking minority member of the committee with respect to this amendment.

I believe all Americans have been startled by the fact that, as the Senator from Wisconsin has pointed out, there have been literally billions and billions and billions of dollars made available to some of the largest and wealthiest corporations in this country for what I consider, as the former chairman of the Antitrust Subcommittee, nonproductive mergers.

We are facing the simple reality that tens of billions of dollars—some estimates are as high as \$60 billion—have been made available to giant corporations in the past few months to engage in unproductive mergers. When that amount of credit is available to those corporations, it means that less credit is available for small businesses, for the housing industry, for the family farmers, and for the automobile industry.

I hope the Federal Reserve Board and the White House are listening to this discussion. This step, although not as strong as I would have liked, is a significant and important signal and I hope they will act on it. It is a voluntary measure. It is based upon the previous precedents of the Federal Reserve Board. It calls for action now to conserve credit for productive purposes in our economy.

If we are concerned, and I believe we are in the Congress, about trying to be a constructive partner with the White House and the executive branch, in dealing with the economic challenges of our time, this amendment is a reasonable suggestion that deserves to be implemented. I hope the Senate will adopt it.

● Mr. BRADLEY. Mr. President, I support the amendment urging banks to avoid lending for purposes that are not likely to contribute to growth and productivity in the economy. The amendment does not call for credit controls or for looser money. Nor does it appear to blame the Federal Reserve rather than the administration's fiscal policy for high interest rates. It simply urges banks to do what Federal Reserve Chairman Volcker often has called on them to do—to make the productive use of a loan a prime consideration in a bank's decision to make it. This is a request from Congress that bankers emphasize the contribution of the loan to the Nation's broader economic objectives and it is appropriate that the Congress make it. ●

Mr. KENNEDY. I am prepared to yield back the remainder of my time.

Mr. HEINZ. Madam President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk called the roll.

Mr. STEVENS. I announce that the Senator from Rhode Island (Mr. CHAFEE), the Senator from Alabama (Mr. DENTON), the Senator from Arizona (Mr. GOLDWATER), the Senator from Kansas (Mrs. KASSERUM), the Senator from Idaho (Mr. McCURE), and the Senator from Oregon (Mr. PACKWOOD) are necessarily absent.

I further announce that, if present and voting, the Senator from Rhode Island (Mr. CHAFEE) would vote "yea."

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON), the Senator from Hawaii (Mr. INOUE), and the Senator from Mississippi (Mr. STENNIS) are necessarily absent.

I also announce that the Senator from Vermont (Mr. LEAHY) is absent because of illness.

I further announce that, if present and voting, the Senator from Rhode Island (Mr. PELL) would vote "yea."

The PRESIDING OFFICER (Mr. COHEN). Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 77, nays 12, as follows:

[Rollcall Vote No. 363 Leg.]

YEAS—77

Abdnor	Eagleton	Mattingly
Andrews	East	Me'cher
Armstrong	Exon	Metzenbaum
Baker	Ford	Mitchell
Baucus	Glenn	Moynihan
Bentsen	Gorton	Nunn
Biden	Grassley	Presler
Boren	Hart	Proxmire
Boschwitz	Hatfield	Pryor
Bradley	Hawkins	Quayle
Bumpers	Havakawa	Ran'olph
Burdick	Hefflin	Riegle
Byrd,	Heinz	Roth
Harry F., Jr.	Helms	Rudman
Byrd, Robert C.	Hollings	Sarbanes
Chiles	Huddleston	Sasser
Cochran	Jackson	Simpson
Cohen	Jepsen	Specter
Cranston	Johnston	Stafford
D'Amato	Kasten	Stevens
Danforth	Kennedy	Thurmond
DeConcini	Laxalt	Tsongas
Dodd	Levin	Warner
Dole	Long	Welcker
Domenici	Mathias	Williams
Durenberger	Matsunaga	Zorinsky

NAYS—12

Dixon	Lugar	Schmitt
Garn	Murkowski	Symms
Hatch	Nickles	Tower
Humphrey	Percy	Wallop

NOT VOTING—11

Cannon	Inouye	Packwood
Chafee	Kassebaum	Pell
Denton	Leahy	Stennis
Goldwater	McCure	

So Mr. KENNEDY's amendment (UP No. 603) was agreed to.

Mr. GARN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. JEPSEN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER (Mr. COHEN). The question recurs on the amend-

ment of the Senator from Illinois (Mr. PERCY).

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative 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.

UNANIMOUS CONSENT AGREEMENT—S. 1112

Mr. BAKER. Mr. President, in connection with the pending matter, I have before me a unanimous-consent request which embraces a number of items. It is fairly complex. I will read it in just a moment.

I understand that it has been submitted to the distinguished minority leader and the minority manager, as well as the chairman of the committee and the majority manager. I hope it is agreed to.

If this unanimous-consent agreement is entered into, Mr. President, it will be my intention, at some point, as soon as the managers of the bill indicate there is no further business that can be transacted on this measure today, to ask the Senate to temporarily lay aside the pending business and to take up the State, Justice appropriations bill. That is not included in the agreement, but I make that statement at this time so that Senators will be on notice as to what the intention of the leadership is on this side. This is the request, Mr. President.

Mr. President, I ask unanimous consent that the Senate temporarily lay aside the pending business, the Export Administration bill, and proceed to other matters.

I further ask unanimous consent that at the hour of 6 10 p.m. on Thursday, November 12, the Senate resume debate on the Export Administration bill, S. 1112. I ask that there then be 20 minutes of debate, equally divided on the Percy-Dixon amendment dealing with grain embargo, with a rollcall vote to occur in connection with the amendment at 6:30 p.m., unless an amendment in the second degree is offered by either Senators PERCY or DIXON.

I ask unanimous consent that if such a second degree amendment is offered, there be 20 minutes of debate equally divided on the amendment.

I further ask unanimous consent that following the disposition of the Percy-Dixon amendment, and/or an amendment in the second degree, that there be 30 minutes debate equally divided on an amendment to be offered by the Senator from West Virginia (Mr. ROBERT C. BYRD) dealing with embargo.

Finally, I ask that following the rollcall vote in connection with the Robert C. Byrd amendment, that the bill be advanced to third reading; that the Senate proceed to the consideration of Calendar Order No. 162, H.R. 3567, the House companion bill, and that a rollcall vote occur on final passage of H.R. 3567 following a motion to be made by the majority manager of the bill to strike all after the enacting clause of H.R. 3567 and to insert the text of S. 1112, as amended.

I further ask unanimous consent that the agreement be in the usual form as to division of time.

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object, may I inquire of the distinguished majority leader whether or not the amendment in the second degree which may be offered by either Senator DIXON or Senator PERCY would be a grain embargo amendment or would it be germane to the Percy-Dixon amendment dealing with grain embargo?

Mr. BAKER. Mr. President, I am advised that the amendment would be germane.

Mr. ROBERT C. BYRD. I thank the Senator.

My second question is, would Senators be agreeable to allowing an up-or-down vote on my amendment rather than a possible tabling motion?

Mr. BAKER. Mr. President, I would have to check further on that, I am afraid. The agreement is drafted so that in each case the vote is in connection with the measure. I would hope the Senator from West Virginia would permit us to continue with that format since that applies to every other item that is within the contemplation of the agreement. I hope he would not insist.

Mr. ROBERT C. BYRD. Of course, that leaves open the possibility of a tabling motion. This agreement, if entered into, would provide that there certainly would be no up-or-down vote, very likely, on my amendment. It does not insure against an up-or-down vote on the amendment but it leaves open the right of Senators to move to table the motion, which certainly is the norm.

I merely would like to bargain if I could, to get an up-or-down vote on my amendment. I am not adamant about that.

Mr. BAKER. I am willing to agree to that.

Mr. President, I amend the request so that the words "in connection with the Robert C. Byrd amendment" be changed to a rollcall vote on the Robert C. Byrd amendment."

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

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

Mr. BAKER. Mr. President, I thank all Senators and since I assume the managers have not ascertained whether any more business can be transacted on this matter, I do not know if I should return to this this afternoon.

Mr. President, has the agreement been agreed to?

The PRESIDING OFFICER. The Chair advises the majority leader that there is now a request for a rollcall vote on two items which have not been ordered at this time.

Mr. BAKER. Mr. President, I add to the unanimous-consent request that it be in order at this time to order the yeas and nays on the various measures described, with the exception of the Percy second-degree amendment, which may not be ordered, and the same be seconded by a show of hands.

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

Mr. BAKER. I ask for the yeas and nays, Mr. President, as indicated.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. BAKER. Mr. President, has the entire agreement been agreed to?

The PRESIDING OFFICER. It has.

Mr. BAKER. I thank the Chair.

The text of the agreement follows:

Ordered, That at 6:10 p.m. on Thursday, November 12, 1981, the Senate resume consideration of S. 1112 (Order No. 115), an Act to authorize appropriations for the fiscal years 1982 and 1983 to carry out the purposes of the Export Administration Act of 1979, and for other purposes: Provided, That there be 20 minutes debate on the pending amendment offered by the Senator from Illinois (Mr. Percy), amendment No. 624, dealing with grain embargo, with a vote to occur in connection with the amendment at 6:30 p.m. unless a germane amendment in the second degree is offered by either of the two Senators from Illinois (Messrs. Percy and Dixon): Provided further, That if such second degree amendment is offered, debate will be limited to 20 minutes, to be equally divided and controlled by the mover of such and the manager of the bill.

Ordered further, That following the disposition of amendment No. 624, and any amendment thereto, the Senate proceed to an amendment to be proposed by the Senator from West Virginia (Mr. Robert C. Byrd) dealing with embargo, with debate thereon to be limited to 30 minutes, to be equally divided and controlled by the mover of such and the manager of the bill, and with a vote on the amendment to follow.

Ordered further, That following the disposition of the Byrd, of West Virginia, amendment, the bill be advanced to third reading and then laid aside for the consideration of H.R. 3567 (Order No. 162), and that following a motion by the Majority manager to strike all after the enacting clause of the House bill and insert the text of S. 1112, as amended, the House bill be advanced to third reading and a vote occur on final passage thereof.

Mr. BAKER. Mr. President, before I ask the Senate to turn to the consideration of the State-Justice appropriations bill, I announce that there will be no more rollcall votes today. I wish to make a further announcement.

Mr. ROBERT C. BYRD. Mr. President, will the distinguished majority leader yield?

Mr. BAKER. Yes; I yield.

Mr. ROBERT C. BYRD. Will there be objection to my laying down my amendment and having it printed and my making a brief statement in support thereof?

Mr. BAKER. Mr. President, I would certainly have no objection to that.

Mr. ROBERT C. BYRD. I can do that now or later, whatever is more convenient.

Mr. BAKER. Mr. President, I should like to make one further announcement at this time. Then I think it would be an accommodation of the Senate if the Senator from West Virginia did go ahead with laying down his amendment and thus advance the time that we ask the Senate to proceed to the consideration of the Commerce, Justice, State appropriations bill.

ANNOUNCEMENT OF DATE OF DECEMBER 3, 1981, FOR CONSIDERATION OF SENATE RESOLUTION 204

Mr. BAKER. Mr. President, for some time now there has been on the calendar Senate Resolution 204 from the Ethics Committee dealing with the Williams question. I report to the Senate that a number of meetings have transpired in connection with that matter. I am prepared now to announce that, on the 3d day of December, at approximately noon, I shall ask the Senate to proceed to consideration of that item. Senator WILLIAMS is aware of that. I advised the distinguished minority leader and he is fully aware of these circumstances as well. I expect that there will be further statements to make in the course of the next several days, but the Senate should be on notice and should plan to proceed to consideration of the Williams resolution at approximately noon on the 3d day of December.

Mr. WALLOP. Will the majority leader yield for a brief statement?

Mr. BAKER. Yes; I yield, Mr. President.

Mr. WALLOP. Mr. President, the Ethics Committee will announce, either today or on Thursday, the additional showing of the films and the playing of audio material in connection with the Williams case four more times so that all Senators may make themselves available to see them. I urge now that all Senators who have not done that do so.

Mr. ROBERT C. BYRD. Mr. President, will the majority leader yield?

Mr. BAKER. Yes.

Mr. ROBERT C. BYRD. Mr. President, I think it should be said that the distinguished majority leader has been very fair and considerate in his scheduling of this matter. It could have been scheduled many, many weeks ago and it was at the request of myself and Mr. WILLIAMS and others that the scheduling of the matter was delayed; certainly that it would not come up in October and that it be delayed into November, then further that it be delayed to November 30, and now that it be delayed into December.

The request from our side was for the purpose of allowing Mr. WILLIAMS to have ample time to prepare his defense and to allow any Senators who might wish to speak in his defense time to consider the matter and prepare themselves. I think the distinguished majority leader has been as considerate as one could be in this regard.

As far as I am concerned, Mr. President, the majority leader has stated the matter correctly. Mr. WILLIAMS is aware of the majority leader's decision and I again thank the majority leader on behalf of the distinguished senior Senator from New Jersey for his consideration and understanding in relation to the scheduling of the matter.

Mr. BAKER. Mr. President, I would like to express to the minority leader my appreciation for his careful consideration, not only for the interests of Senator WILLIAMS but also for the burden I bear in trying to deal with this matter and ask the Senate to proceed

to its consideration, and for his thoughtfulness in participating in meetings from time to time and dealing with complex issues.

It is never an easy thing for the Senate to address the question of discipline or expulsion of one of its Members. The minority leader has been most understanding, most diligent in his protection of the interests of Senator WILLIAMS and I am sure I correctly state that both he and I are dedicated to a single purpose. That is to seeing that, as the Senate discharges its constitutional responsibility in respect to fitness of Members, we do so in a fair and honorable way, resolving every close issue in favor of our colleague who is the subject of this inquiry.

I have made that statement and Senator WILLIAMS is aware that in every case where there is a close question, the benefit of any doubt will be resolved in his favor. I believe we have done that. The minority leader has been materially helpful in seeing that that occurs.

I thank the distinguished chairman of the Ethics Committee and the distinguished vice chairman of the Ethics Committee for their careful consideration of this matter and their cooperation throughout. It gives me no pleasure to announce to the Senate that this proceeding will begin on December 3. I feel my responsibility requires that; hence the reason for the announcement at this time.

● Mr. WALLOP. Mr. President, the resolution to expel Senator WILLIAMS, Senate Resolution 204, has now been scheduled for floor action on December 3.

In response to requests for an additional opportunity to hear and view tape recordings received in evidence during the Ethics Committee hearings, Senator HEFLIN and I have scheduled four more presentations. These will be held on Thursday, November 19, 1981, and on Tuesday, November 24, 1981. There will be identical presentations in the morning and afternoon of each of those days. The exact times and location are set out in a "Dear Colleague" letter mailed today—and I shall submit that letter for the RECORD following my remarks. Any questions concerning these sessions may be directed to staff counsel, Donald Sanders, at 4-2018.

Approximately two-thirds of the entire Senate has already attended taping presentations in September and October. Senator HEFLIN and I urge the remainder of the Senate to take advantage of one of these final opportunities before December 3. There is an extensive record in this case. All materials printed by the committee, including the committee report, No. 97-187, and the briefs of Senator WILLIAMS' attorneys, have been sent to each Member's office in order to help you in making a careful and informed judgment. As you make use of this data in preparing for this very important matter, please do not hesitate to call Senator HEFLIN or myself if you wish further assistance. Committee staff and special counsel will also be available, at your request, to answer any questions.

The letter follows:

SELECT COMMITTEE ON ETHICS,
Washington, D.C., November 10, 1981.
Re S. Res. 204, a Resolution Expelling Senator HARRISON A. WILLIAMS, Jr.

DEAR COLLEAGUE: The Senate Leadership announced today that the Senate will proceed to the consideration of S. Res. 204 on Thursday, December 3.

You will recall that the Ethics Committee provided a number of opportunities in September and October for each Member to view and listen to tape recordings presented at the Committee hearings. In response to requests from Members who could not attend those sessions, we have scheduled four more sessions: in the morning and again in the afternoon on Thursday, November 19, and Tuesday, November 24. The morning presentation will be from 9:15 a.m. to 12:45 p.m., and the afternoon presentation from 2:15 p.m. to 5:45 p.m. The sessions will all be held in Room 457, Russell Senate Office Building. The recordings to be played are listed on the enclosure to this letter.

Because of a number of requests, one staff person for each Senator will be permitted to attend the session on Tuesday afternoon. Senate identification should be displayed to the person on duty at the door.

We want to encourage you to attend one of these sessions, and to become familiar with the transcripts and other documentary material. All Committee publications in this matter, including the Committee Report, No. 97-187, have been sent to your office. The Majority and Minority Leaders have each urged all Members to devote time and attention to this very important matter.

Please let us know if we can be of any further assistance to you in this matter.

Sincerely,

MALCOLM WALLOP.
HOWELL HEFLIN. ●

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS, 1982

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of the Commerce, Justice, and State appropriations bill.

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

The clerk will state the bill by title. The legislative clerk read as follows:

A bill (H.R. 4169) making appropriations for the Departments of Commerce, Justice, and State, the Judiciary, 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. WEICKER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

EXPORT ADMINISTRATION AUTHORIZATION, FISCAL YEAR 1982-83

Mr. ROBERT C. BYRD. Mr. President, as I indicated to the distinguished ma-

jority leader a moment ago, I have an amendment in connection with the matter which has just been set aside; and I wish at this time to offer that amendment, have it printed for the RECORD, and make a brief statement in support thereof.

I send the amendment to the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from West Virginia (Mr. ROBERT C. BYRD) proposes an amendment as follows:

At the appropriate place add the following:

"SEC. . . Notwithstanding any other provision of law, a suspension of or restriction on all exports from the United States to the Union of Soviet Socialist Republics shall be imposed if the Union of the Soviet Socialist Republics, or its allies, engages in a direct military action against Poland, including but not limited to an armed invasion.

SEC. . . Such suspension or restriction of all exports from the United States to the Soviet Union shall be imposed unless the President certifies to the Congress within 30 days of direct Soviet military intervention in Poland that the suspension is not in the national security and foreign policy interests of the United States."

Mr. ROBERT C. BYRD. Mr. President, I am offering this amendment to S. 1112, the Export Administration Authorization Act for fiscal years 1982 and 1983. The purpose of my amendment, which has been read and which is self-explanatory, of course, is to impose an across-the-board embargo on all exports from the United States to the Soviet Union, if the Soviet Union or its allies invade Poland.

Under my amendment, such an embargo would be imposed automatically unless the President certified to the Congress within 30 days of direct Soviet intervention in Poland that the suspension was not in the national security and foreign policy interests of the United States.

On January 24 of this year, Secretary of State Alexander Haig wrote Soviet Foreign Minister Gromyko warning that a Soviet invasion of Poland would have grave consequences for East-West relations.

However, I believe since that time we have sent mixed signals to the Soviet Union and our allies about any steps we might take in reaction to Russian aggression around the world. For example:

On April 24 of this year, the administration lifted the grain embargo imposed by the Carter administration in the aftermath of the Soviet invasion of Afghanistan.

In July, we warned our European allies that purchases of Soviet natural gas could allow the Soviet Union to exercise an unhealthy influence over Western economies.

However, in early August we gave the Caterpillar Tractor Corp. the green light to sell pipelaying machines to the Soviet Union. This action came after we pressured the Japanese to refrain from selling the pipelayers to the Soviets for the same gas project.

On August 5, the administration announced it was selling 220 million pounds of butter to New Zealand, at 20 to 30 cents below market prices, with the pro-

vision that none of it could be resold to the Soviet Union. Yet, New Zealand was not precluded from selling our butter to a third country which, in turn, could sell it to the Soviet Union.

At the same time, the administration extended for 1 year the long-term agreement that permits the Soviets to purchase a minimum of 6 to 8 million tons of American grain without consulting formally with the U.S. Government. In recent weeks, the administration announced that an additional 15 million tons of grain over the 8 million ton floor would be made available to the Soviet Union. The Department of Agriculture reported on October 26 that the Soviet Union had already purchased 8.667 million tons from the United States for the current marketing year.

Mr. President, I know that people do not like grain embargos, or any other embargo for that matter. Embargos impose a burden on people in our country as well as those in the target countries. But Americans also do not like Soviet aggressive behavior. In a case as critical as an invasion of Poland, if short-term economic damage is more important than punishing brutal aggressors, then I do not think we are in tune with the concerns of the American people.

We demonstrate inconsistency in our foreign policy by selling the Soviets more grain and machinery as they continue their pattern of aggression. Our rhetoric will ring hollow if we are not willing to utilize all the political and economic tools at our disposal to penalize such aggression.

The President made it clear when he lifted the grain embargo that he objected particularly to the fact that American farmers had been singled out to sacrifice for foreign policy considerations. He stated:

As a Presidential candidate, I indicated my opposition to the curb on sales because American farmers had been unfairly singled out to bear the burden of this ineffective national policy. To demonstrate a serious response to aggression against Poland, an across-the-board embargo should be imposed.

The Soviet grain harvests will be disappointing once again this year. They will need our help in order to feed their people. Soviet industrial production is also down. Yet, we are not denying the Soviets this help. We are not denying this help even though Soviet troops remain in Afghanistan.

However, we have to be constantly on guard against the possibility of an invasion of Poland. We have to demonstrate that our actions will match our rhetoric. We have to demonstrate that there are teeth in our current policy by making it clear that, at a minimum, there will be a significant economic cost to the Soviets in the event they risk further adventurism.

My amendment does not tie the hands of the President. If the President decides that a suspension of exports to the Soviet Union is not warranted, even with an event as severe as an invasion of Poland, he has to certify to the Congress that it is not in our national interest to impose such an embargo.

Mr. President, I yield the floor, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

DEPARTMENTS OF COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR 1982

The Senate continued with the consideration of H.R. 4169.

Mr. WEICKER. Mr. President, what is the pending business?

The PRESIDING OFFICER. H.R. 4169.

Mr. WEICKER. Mr. President, the committee recommends \$8,630,589,000 in new budget authority for the Departments of Commerce, Justice, State, the Judiciary and 21 related agencies funded by this bill. This amount is a net reduction of \$992,290,000 from appropriations enacted for fiscal year 1981 for these departments and agencies, and is \$169,411,000 below the subcommittee's allocation for budget authority. The committee recommendation is \$130,513,000 below the budget estimate submitted in March, \$449,089,000 above the 1982 September revised budget estimate, and \$53,410,350 below the amount provided in the House bill.

The net decrease of \$992,290,000 from appropriations enacted in 1981 is due primarily to substantial programmatic reductions. These reductions affect a number of programs including: The Economic Development Administration; the Maritime Administration ship construction subsidy program; the juvenile justice and delinquency prevention program of the Department of Justice; the business loan and disaster loan making activities of the Small Business Administration; and the Legal Services Corporation. The reduction for these agencies from fiscal year 1981 totals \$1,548,764,000.

These budget reductions are offset by nondiscretionary increases necessary to maintain on-going programs and by selected program increases. Program increases recommended by the committee include: \$117,000,000 for the Department of State for the construction of a new embassy in Saudi Arabia and the completion of projects in Moscow; \$23,800,000 for the Immigration and Naturalization Service to restore positions for the border patrol, inspections, investigations, and adjuvations; and \$22,438,000 for the International Communication Agency for the construction for new radio transmission facilities for the Voice of America.

The committee has restored several vital activities that were scheduled for elimination or severe curtailment. These include:

Within the National Oceanic and Atmospheric Administration, restoration of the following programs: sea grants; anadromous fisheries grants; commercial fisheries research and development

grants; fruit frost program; and funds for 20 of 38 weather stations proposed for closure.

Within the Economic Development Administration, the committee's recommendation would insure that all public works projects now in the pipeline will be funded.

At the Census Bureau, the 1982 Census of Agriculture will be maintained.

The committee recommendation restores funding for the public telecommunications facilities grants for public television and radio.

Furthermore, the committee recommendation maintains support for the regulatory commissions that have been scheduled for a 12-percent rollback in the revised September budget estimates.

Our other principal recommendations are highlighted on a statement that I ask unanimous consent to have printed at the conclusion of my remarks.

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

(See exhibit 1.)

Mr. WEICKER. Mr. President, I acknowledge the valuable assistance from our ranking minority member, Senator HOLLINGS. In developing this bill Senator HOLLINGS and I tried to be sensitive to the many requests of the members within the limited amount allocated to the subcommittee. We have tried to maintain the broad national interest in making a fair assessment of recommendations that adequately maintains the various departments and agencies and allows for program growth in a few critical areas.

Before we move on to questions or amendments, I will give Senator HOLLINGS time for any comments he may have.

Mr. President, it is my hope that this bill can be moved right along by the full Senate. I realize that it grants an opportunity to those who care to legislate on appropriations bills to do just that in a variety of controversial areas. But the fact remains that those areas, be they prayer in school, or busing, or abortion, or whatever, will have their day before this assembly either in terms of the authorizing bills now wending their way through the process or in the sense of any special time that might be set aside for discussion of such issues.

I strongly appeal to all my colleagues on both sides of the aisle to allow the appropriations process to be conducted in a way which, in effect, has the business of the United States accomplished in a timely fashion rather than in an ad hoc way which really does not address itself to the problems of the moment.

I know that my distinguished colleague and friend, Senator HATFIELD, has expressed similar views, as has the majority leader.

If indeed it becomes clear that we will not be able to accomplish the business of appropriations, then indeed I want it known that the fault does not lie in the leadership of the subcommittee or the full committee on the minority or the majority side. Every conceivable principle that could be compromised has been made. Rather the fault will lie on other heads.

EXHIBIT 1

HIGHLIGHTS OF COMMITTEE RECOMMENDATIONS

DEPARTMENT OF COMMERCE

For the Department of Commerce, the Committee recommends an appropriation of \$1,720,318,000 in new budget authority, a net reduction of \$317,921,000 from the 1981 appropriations to date, and an increase of \$363,792,000 above the budget request. This recommendation includes:

\$139,000,000 for the Economic Development Administration in new budget authority plus \$82 million to be transferred from the EDA revolving fund. Thus, the recommended program level is \$226,000,000, or \$64,000,000 less than the amount authorized in the Omnibus Reconciliation Act of 1981.

Total appropriations recommended for the National Oceanic and Atmospheric Administration are \$854,596,000. The Committee action restores several vital programs including: Sea Grant; Anadromous Fishery Grants; Commercial Fisheries Research and Development Grants; Aquaculture; and provides funds for 20 of 38 weather stations proposed for closure.

For the Fruit Frost Program, the Committee has restored one-half of the funding which will permit the program to continue through 1982 at a reduced level.

\$20,000,000 is provided for public telecommunications facilities grants in 1982. This action is consistent with the reauthorization of the program under the Omnibus Reconciliation Act.

The Maritime Administration is officially transferred from the Department of Commerce to the Department of Transportation. The Committee recommendation for MarAd is \$85,389,000; a net reduction of \$129,411,000. As requested, no funds are provided for ship construction subsidies.

Thus, the appropriation recommended represents a net reduction of 15.7 percent from 1981 appropriations. If we include the Maritime Administration in this comparison, the Department of Commerce has been reduced by 23.7 percent and the appropriations for MarAd and the Department together is 19.9 percent less than last year.

DEPARTMENT OF JUSTICE

The appropriation recommended for the Department of Justice is \$2,441,038,000 an increase of \$115,832,000 over 1981 appropriations. This allowance is a total of \$129,087,000 higher than the revised budget estimates.

For INS, the Committee recommends \$25,000,000 more than the budget estimate. These funds are necessary in order to restore border patrol, inspections, and investigations positions proposed for reduction.

The recommendation includes \$70 million for the Juvenile Justice program and \$4 million for Treatment Alternatives to Street Crimes (TASC).

In the general law enforcement area, the Committee has restored reductions in Administratively Uncontrollable Overtime (AUO) for the FBI, DEA, and INS. In addition, funds are restored to maintain the FBI and DEA state and local training and assistance programs.

For the U.S. Attorneys, funds are provided to maintain employment levels in the March request; and for the Marshals Service, the Committee recommends restoration of positions for courtroom security and private process.

Because of the late date of submission of the INS amendment, allowance could not be made within the Committee's allocation. The amount recommended by the Committee includes a portion of the Administration's request for enforcement. As I have indicated to the Department, I will offer an amendment to provide \$85,181,000 additional funds for enforcement, detention, and deportation while the bill is before us today. It is my

intent that—at a minimum—sufficient funds must be provided to cover necessary expenses at the Krome detention center and costs for processing the Haitian and running the center at Fort Allen, Puerto Rico. In addition, we will provide \$35,000,000 for the construction of a permanent new facility.

Senator Hollings and I have closely examined the revised budget request for the Department of Justice. In order to meet the Administration's new estimates, the Committee's recommendations for the Department would have to be reduced by \$215,000,000. This new request would seriously impair the basic law enforcement efforts of Justice agencies and, severely impact a number of State and local law enforcement agencies as well, and therefore has not been adopted by the Committee.

DEPARTMENT OF STATE

The Committee recommends an appropriation of \$1,810,840,000 for the Department of State. This is an increase of \$305,782,000 from 1981, and is \$38,233,000 higher than the revised budget estimate. This includes:

\$80,000,000 for the construction of a new embassy and residential housing complex in Riyadh, Saudi Arabia.

The revised budget estimate would delay the appropriation of \$35.8 million associated with the construction of staff housing in the Riyadh complex for one year. The Committee did not recommend this reduction. Staff housing in the embassy complex will be essential. A one-year delay will result in immediate and substantial costs increases of up to 50 percent. Prudence dictates that we proceed with this project.

THE JUDICIARY

For the Judiciary, the Committee recommendation is \$714,662,000—an increase of \$68,019,000; but a reduction of \$27,141,000 from the budget estimate.

RELATED AGENCIES

There were a number of significant changes in the budget recommendations for some of the related agencies.

The recommendation for the International Communication Agency provides \$9,139,000 for the expansion of international education exchange programs.

For the Legal Services Corporation, the Committee has recommended \$241 million which is the same as the House allowance and is \$80,300,000 less than fiscal year 1981 appropriations.

The Committee recommends the termination of the Metric Board by September 30, 1982. \$1,500,000 is recommended for this purpose.

In summary, the recommendations we are presenting on behalf of the Committee reflect the earlier decision of Congress on the Omnibus Reconciliation Act and the current requests of the Administration.

Mr. WEICKER. At this time, Mr. President, before making the usual motion to adopt the committee amendments I am informed that there is a printing error in connection with the amount on page 22, line 8, and I ask unanimous consent that the committee amendment be modified to correctly show that the committee deleted the \$979,000 amount and inserted in lieu thereof \$500,000.

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

Mr. WEICKER. Mr. President, I ask unanimous consent that the committee amendments as modified with the exception of the following committee amendments be agreed to en bloc and that the bill, as thus amended, be regarded for the purpose of further amendment as original text, providing that no points of order shall be waived

by reason of agreement to this request, and that any of the excepted committee amendments may be laid aside by agreement between the majority and minority floor managers, those amendments to be excluded from en bloc consideration are: page 2, lines 17 through 23; page 11, lines 24 to 25; page 12, lines 1 to 3; page 26, line 3; page 26, lines 10 to 19; page 31, lines 22 to 24; page 32, line 23 through line 25; pages 33, 34, 35, in toto, page 36, lines 1 through 10; page 53, lines 11 through 15; and page 42, lines 11 through 12.

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

The committee amendments agreed to en bloc are as follows:

On page 3, line 9, strike "\$288,500,000", and insert the following: \$139,000,000: *Provided*, That during 1982 total commitments to guarantee loans shall not exceed \$150,000,000 of contingent liability for loan principal: *Provided further*, That total obligations for new loans under the Economic Development Revolving Fund shall not exceed \$30,000,000.

On page 3, after line 15, insert the following: "(INCLUDING TRANSFER OF FUNDS)";

On page 3, line 19, after "\$25,000,000", insert the following: of which \$20,000,000 shall be derived by transfer from the Economic Development Revolving Fund:

On page 4, line 20, strike "\$174,206,000", and insert "\$165,606,000";

On page 5, line 3, strike "\$30,000,000", and insert "\$29,000,000";

On page 5, line 10, strike "\$56,641,000", and insert "\$57,413,000";

On page 5, line 11, strike "\$41,750,000", and insert "\$42,522,000"

On page 5, after line 13, insert the following:

UNITED STATES TRAVEL AND TOURISM ADMINISTRATION

SALARIES AND EXPENSES

For necessary expenses of the United States Travel and Tourism Administration as provided for by law; including employment of aliens by contract for service abroad; rental of space abroad for periods not exceeding five years, and expenses of alteration, repair, or improvement; advance of funds under contracts abroad; payment of tort claims in the manner authorized in the first paragraph of 28 U.S.C. 2672, when such claims arise in foreign countries; and not to exceed \$5,000 for representation expenses abroad; \$8,600,000.

On page 6, line 12, strike "\$781,413,000", and insert "\$835,281,000";

On page 6, line 15, strike "\$11,700,000", and insert "\$10,000,000";

On page 6, line 22, strike "\$5,215,000", and insert "\$8,415,000";

On page 7, line 2, strike "Obligations", and insert the following:

For payment to the Coastal Energy Impact Fund for administration of the Act of October 27, 1972, as amended, \$500,000, to remain available until expended; obligations.

On page 7, line 8, strike "\$9,000,000", and insert "\$11,000,000";

On page 7, line 8, strike "*Provided*", through and including line 19;

On page 8, line 11, strike "\$1,000,000", and insert "\$5,000,000";

On page 8, line 23, after "programs," insert the following: and for necessary expenses to enable the Department of Commerce to enter into an agreement with the Smithsonian Institution to close out the Smithsonian Science Information Exchange (SSIE), to transfer the assets of the SSIE to the Department, and to pay the outstanding net liabilities of SSIE;

On page 9, line 4, strike "\$125,528,000", and insert "\$127,428,000";

On page 9, line 5, strike "\$7,228,000", and insert "\$7,800,000";

On page 9, line 12, strike "\$16,467,000", and insert "\$16,891,000";

On page 9, line 17, strike "\$16,000,000", and insert "\$20,000,000";

On page 9, strike line 19, through and including line 11 on page 11;

On page 12, after line 18, insert the following:

DEPARTMENT OF TRANSPORTATION

MARITIME ADMINISTRATION

OPERATING-DIFFERENTIAL SUBSIDIES (LIQUIDATION OF CONTRACT AUTHORITY)

For the payment of obligations incurred for operating-differential subsidies as authorized by the Merchant Marine Act, 1936, as amended, \$417,148,000, to remain available until expended.

RESEARCH AND DEVELOPMENT

For necessary expenses for research and development activities, as authorized by law, \$10,491,000, to remain available until expended.

OPERATIONS AND TRAINING

For necessary expenses of operations and training activities authorized by law, including not to exceed \$2,500 for entertainment of officials of other countries when specifically authorized by the Maritime Administrator; not to exceed \$2,500 for representation allowances; not to exceed \$2,500 for contingencies for the Superintendent, United States Merchant Marine Academy, to be expended in his discretion; \$74,898,000, to remain available until expended; *Provided*, That reimbursements may be made to this appropriation from receipts to the "Federal ship financing fund" for administrative expenses in support of that program.

FEDERAL SHIP FINANCING FUND

During 1982, total commitments to guarantee loans shall not exceed \$1,050,000,000 of contingent liability for loan principal.

GENERAL PROVISIONS—MARITIME ADMINISTRATION

Notwithstanding any other provision of this Act, the Maritime Administration is authorized to furnish utilities and services and make necessary repairs in connection with any lease, contract, or occupancy involving Government property under control of the Maritime Administration and payments received by the Maritime Administration for utilities, services, and repairs so furnished or made shall be credited to the appropriation charged with the cost thereof: *Provided*, That rental payments under any such lease, contract, or occupancy on account of items other than such utilities, services, or repairs shall be covered into the Treasury as miscellaneous receipts.

No obligations shall be incurred during the current fiscal year from the construction fund established by the Merchant Marine Act, 1936, or otherwise, in excess of the appropriations and limitations contained in this Act, or in any prior appropriation Act and all receipts which otherwise would be deposited to the credit of said fund shall be covered into the Treasury as miscellaneous receipts.

On page 15, line 12, strike "\$77,351,000", and insert "\$76,900,000";

On page 15, line 12, strike "no part", through and including "Not" on line 15, and insert "not";

On page 16, line 7, strike "\$11,400,000", and insert "\$11,225,000";

On page 16, line 17, strike "No funds", through and including line 2 on page 17;

On page 17, line 7, strike "\$18,200,000", and insert "\$17,200,000";

On page 17, line 20, strike "\$10,000,000" and insert "\$9,000,000";

On page 17, line 21, strike "\$40,000", and insert "\$60,000";

On page 18, line 6, strike "\$81,706,000", and insert "\$84,000,000";

On page 18, line 6, strike ": Provided", through and including line 10;

On page 18, after line 12, insert the following: "(INCLUDING TRANSFER OF FUNDS)"

On page 18, line 17, strike "\$227,380,000", and insert "\$217,000,000";

On page 18, line 18, strike ": Provided", through and including the period on page 19, line 3;

On page 19, line 4, strike "\$10,700,000", and insert "\$19,200,000";

On page 19, line 4, after "activities", insert "including loan servicing";

On page 19, line 24, strike "\$272,000,000", and insert "\$337,000,000";

On page 20, line 2, after "limitation", insert the following: *Provided*, That during 1982, within resources and authority available, gross obligations for the principal amount of direct loans shall not exceed \$205,000,000 and total commitments to guarantee loans shall not exceed \$3,300,000,000 of contingent liability for loan principal.

On page 20, strike line 8, through and including line 13;

On page 20, line 17, strike "\$4,000,000", and insert "\$3,000,000";

On page 20, line 22, strike "\$22,200,000", and insert "\$19,000,000";

On page 20, line 23, after "limitation", insert the following: *Provided*, That during 1982 total commitments to guarantee shall not exceed \$1,200,000,000 of contingent liability for principal.

On page 21, strike line 7, through and including line 9, and insert the following:

For necessary expenses of the United States Metric Board, including termination or cessation of activities of the Board, including hire of passenger motor vehicles and services as authorized by 5 U.S.C. 3109, \$1,500,000, to be available until September 30, 1982, at which time the Board shall terminate: *Provided*, That all property, assets, obligations, records, and unexpended balances of appropriations, allocations, and other funds employed, used, held, available, or to be made available to the United States Metric Board shall be transferred to the Department of Commerce.

On page 22, line 7, strike "\$42,271,000", and insert "\$39,347,000";

On page 22, line 13, strike "\$6,400,000", and insert "\$6,200,000";

On page 22, line 20, strike "\$125,896,000", and insert "\$125,200,000";

On page 23, line 3, strike "\$45,000,000", and insert "\$44,000,000";

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

POLLUTION CONTROL EQUIPMENT CONTRACT GUARANTEE REVOLVING FUND

During 1982, total commitments to guarantee shall not exceed \$250,000,000 of contingent liability for principal.

On page 24, line 6, strike "\$299,180,000", and insert "\$291,950,000";

On page 24, line 9, strike "\$25,000,000", and insert "\$24,100,000";

On page 24, line 16, strike "\$29,421,000", and insert "\$27,921,000";

On page 24, line 21, strike "\$5,313,000", and insert "\$5,500,000";

On page 25, line 7, strike "\$736,129,000", and insert "\$742,609,000";

On page 25, line 10, after "1983", insert the following: *Provided*, That fees may be established to process identification records for State and local employment and licensing agencies and banking institutions, such fees being deposited to the credit of this appropriation without regard to the provisions of 31 U.S.C. 484.

On page 27, line 6, strike "\$230,849,000", and insert "\$231,779,000";

On page 27, line 17, strike "\$358,282,000", and insert "\$356,000,000";

On page 28, line 1, strike "\$10,878,000", and insert "\$10,358,000";

On page 28, line 8, after "\$13,731,000", insert the following: "including \$1,920,000 for the planning, design, acquisition, and preparation of a site for a Federal Correctional Institution to be located in central Arizona and any necessary relocation or replacement of existing site structures or other improvements, as well as the grading and development of utility distribution systems"

On page 28, after line 16, insert the following:

(DISAPPROVAL OF DEFERRAL)

The Congress disapproves \$1,900,000 of the proposed deferral D82-17 relating to the Department of Justice, Federal Prison System, "Building and facilities" as set forth in the message of October 1, 1982, which was transmitted to the Congress by the President. This disapproval shall be effective upon enactment into law of this Act and the amount of the proposed deferral disapproved herein shall be made available for obligation.

On page 29, line 16, strike "\$2,264,000", and insert "\$2,365,000";

On page 30, line 14, strike "\$95,923,000", and insert "\$98,292,000";

On page 30, line 18, after "amended", insert the following: "*Provided further*, That \$5,000,000 of said amount shall be allocated for undercover property recovery programs operated by State and local governments under the supervision of the Department of Justice."

On page 32, line 14, strike "\$18,000,000", and insert "\$19,000,000";

On page 32, line 18, strike "\$139,389,000", and insert "\$140,389,000";

On page 37, line 10, strike "\$924,258,000", and insert "\$912,258,000";

On page 38, line 8, strike "\$12,775,000", and insert "\$9,102,000";

On page 38, line 16, strike "\$5,000,000", and insert "\$4,400,000";

On page 38, line 20, strike "\$5,000,000", and insert "\$3,000,000";

On page 39, line 10, strike "\$400,257,350", and insert the following: "\$435,240,000; *Provided*, That \$28,566,865 shall be available only for the Pan American Health Organization for the payment of 1982 assessed contributions and to reimburse the Pan American Health Organization for payments under the tax equalization program for employees who are United States citizens."

On page 40, line 3, strike "\$8,277,000", and insert "\$7,284,000";

On page 40, line 20, strike "\$8,727,000", and insert "\$7,927,000";

On page 41, line 11, strike "\$3,235,000", and insert "\$2,847,000";

On page 41, line 25, strike "\$8,860,000", and insert "\$8,237,000";

On page 43, line 24, strike "\$88,317,000", and insert "\$86,519,000";

On page 44, line 8, strike "\$458,000", and insert "\$404,000";

On page 45, line 3, strike "\$448,286,000", and insert "\$457,425,000";

On page 45, line 23, strike "\$16,500,000", and insert "\$16,880,000";

On page 46, line 8, after "reception", insert the following: "and for lease of real property for periods of up to twenty-five years in Africa, Europe, and Asia";

On page 46, after line 23, insert the following:

GENERAL PROVISIONS

The funds provided by this title shall be available for obligation and expenditure notwithstanding section 15(a) of the State Department Basic Authorities Act of 1956 and section 701 of the United States Information and Educational Exchange Act of 1948, as amended.

On page 49, line 21, strike "\$265,000,000", and insert "\$264,000,000";

On page 51, line 19, strike "\$124,000,000", and insert "\$123,500,000";

On page 54, after line 14, insert the following:

SEC. 508. (a) None of the funds provided under this Act shall be available for obligation or expenditure through a reprogramming of funds which: (1) creates new programs; (2) eliminates a program, project, or activity; (3) increases funds or personnel by any means for any project or activity for which funds have been denied or restricted; (4) relocates an office or employees; or (5) reorganizes offices, programs, or activities; unless the Appropriations Committees of both Houses of Congress are notified fifteen days in advance of such reprogramming of funds.

(b) None of the funds provided under this Act shall be available for obligation or expenditure for activities, programs, or projects through a reprogramming of funds in excess of \$250,000 or 10 per centum, whichever is less, that: (1) augments existing programs, projects, or activities; (2) reduces funding for any existing program, project, activity, or personnel by 10 per centum approved by Congress; or (3) results from any general savings from a reduction in personnel which would result in a change in existing programs, activities, or projects approved by Congress, unless the Appropriations Committees of both Houses of Congress are notified fifteen days in advance of such reprogramming of funds.

Mr. HOLLINGS. Mr. President, for the last 5 years Senator WEICKER and I applied a team effort in the development of the State, Justice, Commerce appropriations bill. Our team is still operating—we just have a new captain.

And Senator WEICKER, the new captain, has done an outstanding job. He is totally familiar with the bill, the needs of our Department of State, Department of Commerce, and Department of Justice, particularly the FBI, and the more than 100 different appropriation items in this bill.

We have had a thoroughgoing oversight hearing review of the various agencies and departments.

I am glad to join now with him in presenting the bill.

The chairman has outlined the highlights of the bill. The budget reductions originally presented by President Reagan have largely been taken in this bill, but we have drawn the line in several places, for instance:

The President proposed only phase out funds for the Economic Development Administration, but we have retained a \$226,000,000 EDA program level.

The President proposed deep cuts in the research and development programs of the National Oceanic and Atmospheric Administration, that represent our investment in the future. That is our Weather Service and quite a bit of information that is being used currently and daily in research endeavor.

And I think that perhaps the Secretary of Commerce is a little frustrated as a businessman to go and find that in the Commerce Department the largest agency is NOAA but it has been there for some time now. It was thought at one time to set it up as an independent agency with the Coast Guard which has 42,000 personnel.

In fact, the bipartisan study commission known as the Stratton Commission in the mid-1960's after a very, very thorough study recommended just that. The

question simmered down to whether or not to put it in the Department of the Interior or put it in the Department of Commerce.

I think that President Nixon very, very properly determined that it ought to be in the Department of Commerce.

Previously we had ESSA, the Environmental Science Services Administration, in the Department of Commerce that included the Coast and Geodetic Survey as well as the Weather Bureau. NOAA was a natural successor to ESSA.

NOAA has been doing an outstanding job. The fact that we have coastal zone management and are taking care of our barrier islands and estuarine sanctuaries should be recognized by the Secretary of Commerce and his Department, so that the people will not be running all over the place with new bills about barrier islands and sanctuaries and everything else.

We only instituted that program of coastal management after 3 years of hearings, and we have a distinct and unique feature that once a plan is approved by the Federal Government—and the distinguished Presiding Officer, as a former Attorney General, would appreciate this particular factor—then the State plan is supreme.

In other words, there is a consistency provision, a Federal consistency provision, and thereafter the Federal Government, as well as all other State endeavors, have to check through that particular plan.

A month ago the administration with no appreciation of either NOAA, the coastal zone management, the working partnership—and they act like they invented government and now all of a sudden work with the States for the first time—on the contrary, this took 10 years to develop. It was almost the same misunderstanding and lack of appreciation that President Carter had for the Nation's midsection—the Midwest—where over a 75-year period 11 State bipartisan Governors developed a water allocation project of the waters of the Colorado River. We turned a veritable desert land or area into very, very fruitful farmland, the breadbasket not only of America but some 15 countries.

Here comes this group and they sent over and wanted to do away with the Federal consistency program. Fortunately, the State Governors responded, Congressmen and Senators on both sides of the aisle responded, and fortunately the administration withdrew that. But I say that at this particular point we have got to emphasize in this budget, which Chairman WEICKER and I both did at the hearings relative to the Secretary of Commerce, and they said they appreciated and understood them, but they have not responded accordingly. I can tell you that.

The President proposed eliminating all funding for juvenile justice and delinquency prevention, but we retained \$70 million.

The President proposed no funding for the Legal Services Corporation. We recommend \$241 million to insure—I have here in the prepared remarks equal access to justice for the poor—but let us

say more correctly "some" access for the poor.

The Legal Services Corporation, which, incidentally, was a Republican initiative coming in under President Nixon—they always talk of my friend President Johnson and the Great Society, but some day I will list the programs President Nixon thought up too, and, incidentally, this is a good one.

The Legal Services Corporation has had a very stormy history because they went way overboard. They were taken over by the theoreticians, the philosophical types, the study groups, and the college campus crowd. They got massive studies and got into all kinds of programs.

They had people outside on the steps demonstrating what you and I were paying for. So we had to put restrictions on the money. We let them demonstrate, but this is legal services for the poor and the disadvantaged of America, and the American Bar Association, under the leadership of Associate Justice Powell, devised this.

How could you have a system of justice where there was no access? In the days when we started practicing we were all assigned cases, but very few lawyers want a domestic case. Very few lawyers want a landlord and tenant case and to take one all the way to the Supreme Court, like I did over a 3-year period. I think the fee was \$100 over 3 years, and the distinguished Presiding Officer knows exactly what I am talking about.

So we had to have some kind of access. We have developed it judiciously. Senator WEICKER has looked at the corporation's budget very, very carefully, and so have I and, frankly, we both would have retained it at a \$321 billion level if we could have. But we have gone along with the spurt of spending cuts. We went along with this cut but not the elimination.

If they want to get down to the fundamentals—and maybe some day soon I will be able to furnish that figure—we will just have to balance this particular program of legal services for the poor with legal services for the rich. If we are going to say we are going to feed them all out of the same spoon and give them equal treatment, let us look at legal services for the rich and the writeoff of for these law firms.

I am constantly meeting, Mr. President (Mr. RUDMAN) you and others sent a lot of our colleagues packing and they are all Washington lawyers—I am constantly meeting them and they say, "Well, we miss being here but we are sure making a lot of money." You get out and go to their offices and they have got all the people to do the work for them, and they are having all of these nice parties. Well, all of that is a cost to the revenue side. We are trying to find out the cost. But I can tell you it far, far, far exceeds any \$241 million by way of legal expenses each year for the rich.

They have their particular program, it is in place. It is costing the budget, so let us not just jump around, let us do as the committee has done. Senator WEICKER and Senator CHILES worked out appropriate amendments relative to class

actions, relative to the matter of the illegal aliens and otherwise so as to have equal access. But we have worked out and eliminated many of the abuses there, and we should continue with the Legal Services Corporation for some access to our system of justice for the poor.

(Mr. GRASSLEY assumed the chair.)

Mr. HOLLINGS. Mr. President, the most important determination we made was to hold onto our levels for law enforcement. Last month our distinguished President went down to New Orleans, talked about the "thin blue line" that separated the jungle of crime from this island we call civilization, and he assured all the attorneys general and the law enforcement officers that he stood behind them foursquare. That was on a Monday.

By the end of that week we received the revised recommendations that emanated from the administration. They were such that they had cut 600 FBI agents, had cut the Drug Enforcement Administration, cut the Coast Guard, cut the Customs Service, everything just right straight across the board.

That brings us down to the crux of not necessarily wanting or not wanting in a way but everyone would like to try to effect some economies. But there is a point where you reach the law of diminishing returns and, particularly, in the area of law enforcement. We have been cutting back, and we now have less FBI agents the moment I talk here in 1981 than what we had in 1971. We have not been expansive in that particular budget area. On the contrary, crime is up, we have got a greater responsibility with the population, so we really ought to be increasing it.

We have held the line and we have reduced the cuts of some 350 to 500 FBI agents. We have tried to work against the 2-week furlough for all employees of the Drug Enforcement Administration that the President's reunions would require.

Just this past week—fortunately they changed it after we made our presentation on the floor—but the Drug Enforcement Administration has only got three agents in Charleston. They told each agent—each agent has got a car and they told two of the agents to park the cars and keep them parked.

I happen to know of one particular case where they assigned them to a case, a Federal judge, by the way, and they said, "I am sorry, your Honor, you cannot use the car." He said, "Here, go ahead and get some gas and put it in there and go ahead and use it." He said, "No, we started that down in Fort Lauderdale and we have been restricted down there." Apparently the local agents, because they could not with the car go anywhere and do anything, got up with their wives a cake bake sale and a carwash program in order to get the money to put gasoline in the automobiles. And they put out an administrative directive forbidding the use of any gas except official credit cards, Federal Government credit cards, to use for the gasoline. That is how destitute we are in November and December where

they literally deluge us with all kinds of drugs coming into this country in Florida, Georgia, and South Carolina.

Last year—I do not know why, but this is the season—they had a large freighter off the coast of Charleston, S.C., they put it out there about 50 miles, and they offload the drugs and marijuana onto trawlers and small boats. It took us 2 weeks—talking about the Coast Guard—to get a Coast Guard cutter finally down from New York, and we got a tanker. It was the largest bust that you have ever seen. They told us that actually we were lucky to intercept 20 percent coming into the various streams and islands; 80 percent was coming through.

Now, I am not talking fanciful figures. These are actual facts.

So we are trying our best to keep up in counterintelligence with FBI agents, and the Drug Enforcement Administration, in the fight against the ever-expanding international drug traffic.

Mr. President, I endorse our chairman's recommendation and commend him for his excellent work and commend his staff for the excellent work that they have given our subcommittee.

The bill is a good bill. It meets the proven national needs while making the necessary reductions required to put our overall fiscal policy in order. So I am glad to join with our distinguished chairman and the staff in presenting the bill to the Senate.

Mr. WEICKER. I thank my distinguished colleague from South Carolina.

As the Senator from New Hampshire commented as he left the chair and came by my desk, he said, "I could listen to Senator HOLLINGS all day." And so could I. I mean that. I think the Senator's perceptions are right on target and most eloquently articulated.

Mr. President, I ask unanimous consent to amend my unanimous-consent agreement to include the committee amendment on page 37, line 22, in the list of amendments excluded.

Mr. THURMOND. Mr. President, reserving the right to object, when the Senator brings up these different matters on page 2, line 17 through line 23, the committee struck out a House limitation there that we would like to have a rollcall vote on. And I will give the Senator several others.

Mr. WEICKER. If the distinguished Senator would allow me, I would like to go over the list. He was not on the floor when I went through a whole list.

Mr. THURMOND. As soon as I was notified, I came right over.

Mr. WEICKER. Much of what the Senator is about ready to do has already been done at the request of Senator HELMS.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. WEICKER. 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. THURMOND. Mr. President, it seems that the differences here in what the Appropriations Committee did and what some of us felt otherwise has been taken care of. So we have no further objection.

Mr. WEICKER. I thank the Senator from South Carolina.

Mr. President, what is the status of my last unanimous-consent request? Was that passed upon by the Chair?

The PRESIDING OFFICER. That has not yet been agreed to.

Is there objection? If not, it is so ordered.

Mr. WEICKER. Mr. President, I ask unanimous consent that the committee amendments be laid aside in order that I might present a technical amendment.

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

UP AMENDMENT NO. 604

(Purpose: Technical amendment to change citation from the "Foreign Service Act of 1946, as amended" to the "Foreign Service Act of 1980")

Mr. WEICKER. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will state the amendment.

The legislative clerk read as follows:

The Senator from Connecticut (Mr. WEICKER) proposes an unprinted amendment numbered 604.

Mr. WEICKER. 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 23, after the word "by" on line 10, strike all through the word "amended" on line 11 and insert in lieu thereof "the Foreign Service Act of 1980".

Mr. WEICKER. Mr. President, this is a technical amendment to correct a citation in the House bill. Employees of the Foreign Claims Settlement Commission are entitled to benefits and allowances similar to those provided Foreign Service employees. As passed by the House, the bill mistakenly cites the provisions of "title IX of the Foreign Service Act of 1946, as amended". However, the correct citation is "the Foreign Service Act of 1980".

Mr. President, I move the adoption of the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Connecticut (Mr. WEICKER).

The amendment (UP No. 604) was agreed to.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. WEICKER. 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. WEICKER. Mr. President, I ask unanimous consent to lay the excepted committee amendments aside.

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

UP AMENDMENT NO. 605

(Purpose: To provide \$2,000,000 to the Federal Bureau of Investigation for Fingerprint Identification; \$828,000 to the National Institute of Corrections for State and local training and to reduce the appropriation for the Department of State by \$10,000,000)

Mr. WEICKER. Mr. President, on behalf of myself and Senator HOLLINGS, I offer an amendment which amends the appropriations for the Federal Bureau of Investigation and the National Institute of Corrections and the Department of State. I send the amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will state the amendment.

The legislative clerk read as follows:

The Senator from Connecticut (Mr. WEICKER), for himself and Mr. HOLLINGS, proposes an unprinted amendment numbered 605.

Mr. WEICKER. 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 25, line 7, strike "\$742,609,000" and insert in lieu thereof "\$744,609,000".

On page 25, line 15, before the period, insert the following: "and that \$2,000,000 shall be available for the employment and training of personnel and purchase of equipment necessary for this purpose; *Provided further*, That no ceiling shall be established at less than 19,500 on full-time equivalent employment of the Federal Bureau of Investigation".

On page 28, line 1, strike "\$10,358,000" and insert in lieu thereof "\$11,186,000".

On page 37, line 10, strike "\$912,258,000" and insert in lieu thereof "\$902,258,000".

Mr. WEICKER. Mr. President, this amendment has several parts and it results in a net reduction in budget authority provided under the bill.

First, it reduces the appropriation for salaries and expenses of the Department of State by \$10,000,000 to \$902,258,000. The reduction is entirely from foreign currency gains which have resulted since the preparation of the budget. It does not affect the program level proposed by the Department.

Second, the amendment provides \$2 million to the Federal Bureau of Investigation. These funds are specifically provided for personnel and equipment necessary to resume servicing State and local applications for fingerprint identification.

On October 1, the FBI suspended processing of all non-Federal fingerprint identification requests other than those from criminal justice agencies for 1 year. State and local agencies affected by the suspension include employment, and licensing agencies, and regulatory boards. In committee we approved a provision enabling the FBI to establish a fee structure so that it can receive reimbursement for this service. The fee structure will allow the FBI to hire personnel necessary to process these requests.

The amendment which I am offering will enable the FBI to proceed quickly and hire and train necessary personnel

and purchase equipment so that it can proceed quickly and resume this vital service earlier than planned.

Finally, the amendment provides \$828,000 in additional funds for the National Institute of Corrections. During full committee markup on this appropriations bill my colleague from Pennsylvania (Mr. SPECTER) raised a concern that the amount requested by the administration in the September revised budget and the amount recommended by the committee might cut severely into the training of State and local corrections officers. I gave my assurance to Senator SPECTER that I would look further into this matter. The amount recommended by this amendment will provide for the training of 1,400 State and local corrections officers.

As I have mentioned, the net effect of the amendment is to reduce the amount of budget authority recommended by the committee by \$7,172,000.

The PRESIDING OFFICER. The Senator from South Carolina.

Mr. HOLLINGS. Mr. President, I join the distinguished chairman on this amendment.

As he stated, it increases the FBI by \$2 million and sets a floor under the ceiling relative to the number of personnel. If Director Webster does not need all the personnel, he does not need to hire them, but we do not want the budget officers to impede our law enforcement by creating artificial savings through personnel ceilings. It increases the National Institute of Corrections by \$828,000 to maintain the vital training of State correctional personnel.

Both of those increases are taken care of by reducing the State Department because of foreign currency gains. In other words, there is no net increase in this particular bill, in fact, it reduces the bill by \$7,172,000.

The State Department is not hindered in any way in its programs but the necessary additional money is allocated to the National Institute of Corrections and the FBI.

I urge adoption of the amendment.

Mr. WEICKER. Mr. President, I move adoption of the amendment.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

The amendment (UP No. 605) was agreed to.

Mr. WEICKER. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HOLLINGS. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

AUTHORIZATION OF SERVICE BY THE FCC

Mr. HOLLINGS. Mr. President, I wish to take a moment to elaborate on an understanding that the Senator from Connecticut and I have regarding the appropriation for the Federal Communications Commission.

An essential function of the Commission is the expeditious authorization of new and additional services to the public. The Appropriations Committee believed that if the Commission's budget were reduced below the level we set it might well have a detrimental effect on the provision of additional, more innovative, and more efficient services to the public. If we are to truly have a competitive communications industry, it is necessary that the Commission encourage rather than discourage new technologies and new services with minimal delay. It is largely for this reason that we maintained the Commission's funding at \$76.9 for fiscal year 1982.

Since we have done so, we fully expect the Commission to authorize new and additional services expeditiously. For example, the Commission has been attempting to write rules for a new low power television service for many years. Congress has already tried to speed the issuance of these and other licenses by allowing the Commission to use lotteries instead of the cumbersome comparative hearing process in making grants. All comments on the proposed low power rules have been filed, and the time has come to issue final rule. We believe that these final rules should be issued by February 1, 1982. Further, we believe that the actual granting of all low power applications should be started shortly thereafter and should proceed rapidly.

The Commission should also proceed to authorize other new and additional services as well as individual licenses as quickly as possible. Cellular Radio and VHF Drop-Ins are two examples that come to mind. In both instances, the Commission has spent much time working on rules. This aspect of the process needs to end, and the processing of applications should begin, where such services are found to be in the public interest. Further, in these instances as well as with other services, the lottery approach is, as Congress has intended in passing that provision, a perfectly proper way to proceed.

Just as we show here with the \$76.9 million funding level, Congress, in enacting the lottery provision, believed that the Commission needs to reduce the long delays that have traditionally been experienced in the introduction of new and additional services. This lottery provision can appropriately be used in selecting among competing applicants for all proposed uses of the electromagnetic spectrum. We believe that the use of lotteries must be seriously considered in all instances, and we expect the Commission to place the highest priority on the authorization of new and additional services.

Does the Senator from Connecticut agree with my statement of our under-

standing regarding the high priority for new and additional services?

Mr. WEICKER. Yes, I agree with the Senator. It is our understanding that the Federal Communications Commission should authorize new and additional services as expeditiously as possible.

POLITICAL BROADCASTING LAW

Mr. HOLLINGS. Mr. President, I wish to address the Senator from Connecticut concerning the fiscal year 1982 appropriations for the Federal Communications Commission.

The Federal Communications Commission has the important responsibility of administering and enforcing the various political broadcasting laws, including the equal time rule, the fairness doctrine, and the reasonable access provision. The Senator from Connecticut and I strongly believe that these laws must be effectively and promptly administered and enforced. In the funding for the Commission for fiscal year 1982, we have provided a more than sufficient cushion to insure that the Commission meet this objective. But, even if this level of funding were reduced further, we still believe that the administration and enforcement of these political broadcasting laws remain a priority. Regardless of the funding level, we do not believe that the staff assigned to administer and enforce these laws should be reduced below fiscal year 1981 levels, and we believe that all inquiries and complaints must be responded to as promptly as in the past.

Mr. WEICKER. I agree completely with the Senator that the administration and enforcement of the political broadcasting laws remain a priority at the Federal Communications Commission. We have examined this aspect of the Commission's responsibilities very carefully and firmly believe any lessening of attention to this area is completely unwarranted.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative 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.

ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that there now be a period for the transaction of routine morning business not to extend past the hour of 2:30 p.m., in which Senators may speak for not more than 5 minutes each.

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

DIRECTOR OF FAMED BOYS TOWN RECIPIENT OF DISTINGUISHED NEBRASKAN AWARD

Mr. ZORINSKY. Mr. President, the Nebraska State Society of Washing-

ton, D.C., conferred its "19th Annual Distinguished Nebraskan Award" on one of its citizens who has brought honor and fame to our great State. The 19th annual award was presented this year to the Reverend Robert P. Hupp, executive director of Boys Town, Nebr.

Father Hupp, a native of Wheeler County, Nebr., has been director of Boys Town since 1973. He is responsible for leading Boys Town into a new era for communication disorders in children and the Boys Town urban program.

Father Hupp is active in many civic organizations, including the Boy Scouts, the United Way, and the City of Hope National Medical Center.

For many years, this distinguished clergyman was active in parish work in Nebraska and served as a chaplain in the U.S. Navy during World War II.

On the occasion of the award, the prayer and benediction was given by the Reverend John P. Gates of Bethesda, Md. It was a moving benediction which I wish to share with all of my colleagues.

O living God, our Creator and Sustainer in life, we thank Thee for this fine gathering of people this night who love the State of Nebraska as something special in your Creation.

We are particularly thankful for the life, career and accomplishment for the good of Father Robert P. Hupp of Boys Town. Grant him continued health and joy and blessedness in the days ahead.

Now for the pleasurable memories of home and family we give Thee thanks.

We are grateful for the hope for the future; hope for ourselves, for our loved ones, for our state, our country, for the world and mankind everywhere in spite of the forbidding circumstances in which we live in our time.

Bless all who are here with worthy motives and purposes in all their endeavors,

And give us all a high resolve to do justly, love mercy in all our dealings with our fellow man, especially toward the poor and handicapped in any way.

Now may the courage of the early morning dawn,

The strength of the eternal hills,
The peace of the evenings ending,
And the companionship of Jesus Christ
Be with you tonight and ever more. Amen.

THE DEATH OF PHIL SUTHERLAND

Mr. GORTON. Mr. President, I would like to bring to the attention of the Senate the recent tragic death of Phil Sutherland, president of the Puget Sound Gillnetters Association, and ask that the Members of the Senate extend their prayers to Phil and his family.

Phil Sutherland was considered by many people to be a maverick. He was a strong-willed, honest, decent man who fought for what he believed in and was respected by all who dealt with him. He was a hard-working salmon fisherman who lived according to his principles and honesty, and he expected others to be guided by honesty, hard-work and principle.

His battles brought him to the Senate on a number of occasions during the

past few years in regard to the controversies which have plagued the salmon fisheries of Washington State. During the course of Phil's work for the gillnetters he had his share of adversaries, but he always had their respect. The Northwest fishing community has lost a true friend and knowledgeable participant. But we have all lost an outstanding citizen. Phil will certainly be missed by the fishing industry and those who knew him.

Mr. President, I ask unanimous consent that an article from the November 4 Seattle Post-Intelligencer on Phil Sutherland be printed in the RECORD at this point.

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

FISHING REBEL DIES AS BOAT FLIPS

(By Solveig Torvik)

Phil Sutherland, who led non-Indian commercial fishermen in their stubborn, losing battle against the Boldt decision that upheld Indian treaty fishing rights, died early yesterday when his gillnet boat overturned during a gale and sank off Marrowstone Island near Port Townsend.

He died while enjoying a small personal victory—an unusually long, three-day fishing season for non-Indians—after a decade of losses in the bitter salmon controversy that has darkened the waters of Puget Sound.

Sutherland, 58, described by associates as "a dedicated, hard and stern fellow" went to jail for 20 days in 1979 for fishing off Lopez Island when fishing was closed to non-Indians.

"He had true grit. He was a true American all the way," said Terry Prolos, office manager for the Puget Sound Gillnetters Association, which Sutherland headed.

He had been fishing alone aboard the 38-foot "Suds" for chum salmon at the time of his death, according to his wife, Lorene. She said it wasn't "financially feasible to have more than one aboard. But it makes a long night when you don't have someone to help you."

Exactly what happened to Sutherland remained a mystery yesterday. Coast Guard officials said he was found wearing a survival suit some 200 yards downwind from his boat. Tentative cause of death was listed as hypothermia, according to Coast Guard spokesman Dale Miller. A small dinghy was bobbing nearby and a fishing net was out, indicating that he was fishing at the time of his death, Miller said.

He was last seen fishing in the area, described by fishermen as treacherous, about 4:30 a.m. yesterday by another gillnetter who left the area when 35-knot winds came up.

COAST GUARD PROBE

The Coast Guard will conduct an investigation into the cause of the accident, Miller said.

Sutherland, who lived in Port Townsend and had been fishing for 33 years, had been active in getting the State Fisheries Department to set the three-day season that opened Monday for non-Indian fishermen in the area, said Prolos.

"He was proud that some of his efforts had paid off," she said. "He was real excited."

Sutherland, the father of four grown children, was a former amateur boxer and a respected coach for youngsters in Port Townsend. He trained Olympic hopeful Charles Robinson, 18, who was killed in Poland with 23 other U.S. boxing team members in a plane crash in 1980.

Sutherland, who helped develop the mechanical clam harvester now widely used in the shellfish industry, had become "very discouraged" about the financial plight of non-Indian commercial salmon fishermen after the Boldt ruling, his wife said.

The controversial 1974 decision by U.S. District Judge George Boldt gave half the steelhead and salmon catch to treaty Indians.

When Sutherland was sentenced to jail by federal Judge Morell E. Sharp, 300 protesters demonstrated their outrage on the steps of federal courthouse in Seattle.

"We see the light at the end of the tunnel," he said when he came out of jail. "But it is a train coming the other way."

Bill Frank, the Nisqually Indian who as chairman of the Northwest Indians Fish Commission was Sutherland's arch foe, yesterday called Sutherland "a good friend. He felt very strong for what he was doing. I respect that. I think the Indian people did too."

KIND WORDS FROM FOE

"We could always sit down without raising our voices," Frank, even though Sutherland called Indians "super-citizens" who got more than their fair share of the fish.

"I always said we can't compete in the society out here because we don't own the banks," Frank said.

"We were coming closer and closer to a better understanding of the Indians and the gillnetters, which, in the past, hadn't happened," Frank said.

Frank added that Sutherland seemed to blame the Indians for the fact that non-Indian gillnetters were not getting 50 percent of the catch, but Frank argued that this was because they had to share their 50 percent with sportsfishermen, large commercial concerns and others catching the fish off the coast before the run entered the Sound.

"That wasn't the Indians' fault," Frank said. "The problem was the fish disappeared."

REBUFFED BY HIGH COURT

Sutherland had argued that "a small Indian fleet can rake in 300,000 fish from Puget Sound, while the gillnetters get only about 26,000 fish. For us that is about a one-in-10 split. That puts us flat out of business economically. We don't know where to turn."

He turned to the U.S. Supreme Court. It ruled against him.

Then he turned to politics, entering the 1980 race for state representative against Brad Owen. He lost.

At the time of his death, he was spending his time lobbying in Olympia to prevent an increase in the license fees and landing tax for gillnetters. And he was pleading for longer fishing seasons for non-Indians.

This time he won one, but it cost him his life.

DEFENSE BUILDUP

Mr. THURMOND. Mr. President, an important statement on the economic impacts of the 5-year defense buildup was presented to the Congress October 29, by Jack R. Borsting, Comptroller for the Department of Defense.

Dr. Borsting assured the Congress that the defense buildup planned by the Reagan administration would not be inflationary, increase bottlenecks in industry, or disrupt the economy in general.

Mr. President, the Comptroller also told the Congress that the proposed 5-year plan is not excessive in comparison with past defense spending. He pointed out that over the 5-year period DOD outlays will average 6.3 percent of the gross

national product, increasing from 5.7 percent in fiscal year 1982 to 7 percent by fiscal year 1986.

Mr. President, although we have serious budget and inflation problems the Congress should be aware that the defense budget is not inflationary and represents a carefully regulated buildup. While our overall budget problems are serious, the military threat has not changed and we must respond to the Soviet efforts to use military superiority to achieve their goals around the world.

Mr. President, I ask unanimous consent that the statement by Dr. Borsting be printed in the RECORD.

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

STATEMENT OF THE HONORABLE JACK R. BORSTING, ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER)

Dear Mr. Chairman and Members of the Committee: I appreciate the invitation to appear before you today to discuss Defense spending and the economy. The topic is most relevant at a time when the Administration is committed to modernizing and upgrading the military resources of the United States and at the same time cutting back total Federal spending in order to bring the budget into balance. The topic is also one that is often misunderstood. There is a great deal of concern that the vital steps required to improve the state of our national Defense will, in the process, destroy the state of the economy by increasing inflationary pressures, causing bottlenecks in industry, and competing with the private sector for a shortage of skilled manpower. We believe these concerns are exaggerated. There likely will be certain areas where current bottlenecks in the Defense industry will occur; where inflation may continue at a higher rate than in the non-defense sector; and where competition for skilled technicians will be intense. But we believe the nature of this buildup is sufficiently different from prior buildups—largely associated with war—so that the U.S. economy will be able to absorb this Defense buildup without major disruption and upheaval.

DEFENSE BUDGET

We are now formulating the Fiscal Year 1983 budget and, as part of that process, revising the Five Year Defense Program (FYDP). The budget process will be completed in late December and the FY 1983 Defense budget will be released by the President to Congress next January. The adjustments which the Department has recently been asked to make as part of the reductions in total Federal spending do not signal a change in our military requirements, but rather a need to achieve them under more stringent fiscal restraints.

The President, as you are aware, has called for Defense to reduce FY 1982 spending by \$2 billion and by \$11 billion for the following two years from the levels established this past July. We have presented to the Congress proposals to accomplish that goal.

DOD AS PERCENTAGE OF GNP

The five-year projection of DOD outlays will average 6.3 percent of the GNP increasing from 5.7 percent in FY 1982 to 7.0 percent in FY 1986. The cumulative increase over the FY 1982 level is approximately \$150 billion. The real increase, after adjustment for inflation, is about \$80 billion in FY 1982 dollars.

As with outlays, the GNP percentages can be reviewed in a historical perspective. These trends do not prove that the Defense budget is too high or too low, or that we are better or worse off in a military sense than at some time in the past. Defense certainly is not entitled to any specific share of public spending or of GNP. Nonetheless, these comparisons

provide a historical perspective that will assist in assessing the future.

In 1945, at the end of World War II, DOD outlays were 35.3 percent of GNP; in 1946, they declined to 19.9 percent and by 1950, were 4.4 percent of GNP, averaging 4.6 percent for the years 1947 to 1950. The peak Korean War percentage of 12.1 percent was reached in 1953. From 1956 to 1964 the DOD outlays ranged between 8.0 percent to 8.6 percent of the GNP and in 1965 reached a 14-year low of 6.9 percent.

In 1968, during the height of the Vietnam involvement, DOD outlays reached 9.3 percent of GNP, the highest since the Korean War era. DOD outlays dropped to 8.5 percent of GNP by 1969 and by 1979 had reached 4.8 percent, the lowest DOD percentage of GNP in 29 years.

The decline was reversed in 1980 with outlays reaching 5.1 percent of GNP and we expect that by 1986, DOD outlays will be approximately 7.0 percent of GNP. In a historical perspective, 7.0 percent of GNP does not appear excessive.

IMPACT OF BUILDUP ON INFLATION

Inflation has had an immense impact upon the Defense budget in recent years, but this impact is by no means peculiar to Defense. It has been an economy-wide phenomenon, affecting our family budgets and expenses as well. Inflation in the Defense sector has been higher than in the general economy, not so much as a result of any added pressure from increased Defense spending, but rather by economic factors peculiar to Defense.

Rising energy costs have a more pronounced effect on Defense because DOD is more fuel intensive than the general economy and dramatically more so than the rest of government. Scarcity of certain critical materials, some of which are only available from monopolistic suppliers outside the United States also bid up Defense prices. Recent, and large price increases have been experienced in titanium, specialty metals such as cobalt, nickel, and chromium, and to an extent, aluminum, as well as large castings and forgings made from those raw materials. The combined effects of these factors, together with the high technology state of much of the Defense industry, have caused inflation in the Defense sector to be higher than the GNP implicit price deflator.

Inflation guidance provided to Defense is based on changes in the GNP deflator. As a result, Defense acquisition programs which are based on a full funding concept always have some risk of not being priced properly. A Defense program that is appropriated in FY 1982 may not be completed for several years. Yet it must be priced on inflation rates currently projected for future years.

IMPACT OF DEFENSE GROWTH

The Department of Defense frequently confers with private consulting firms to assess the impact of higher levels of Defense expenditures on the U.S. economy. For example, in October last year, well known economists representing Wharton, Data Resources, Inc., (DRI), Evans Economics, Chase Econometrics, and Merrill-Lynch participated in the annual DoD Cost Analysis Symposium. This group concluded that a 10 percent real growth in DOD outlays over the period 1981-1986 would not be inflationary if there were a carefully planned, progressive increase in government purchases. The forecasters also agreed that current U.S. production capacities are generally adequate to accommodate the increased demands generated by the accelerated Defense spending.

There are no sudden, dramatic increases in the planned buildup for 1981-86, so the inflationary expectations normally built into such explosive expansions are missing from the current five-year economic forecast. Past Defense buildups, and especially the Vietnam buildup, involved rapid reallocation of resources to the Defense sector with little or no

compensating adjustments in taxes or reduced spending in other parts of the budget.

We are continuously working with industry groups and representatives to alert them concerning what we believe will be the future demand for defense goods and services in their respective industry sector. At the same time we are checking to see what excess production capacity exists and what the consequences would be if further demand were placed on these sectors. I do not believe all bottlenecks can be prevented; nor do I believe that some economic dislocation will not take place, but I do believe we are in a much better condition to assess the economic pulse of the private sector, as it relates to defense needs than we have been able to do before.

During the 1950-53 buildup, the DOD percentage of the GNP increased from 4.4 percent to 12.1 percent. The sharpness of that buildup was indicated by a 40 percent average annual increase in the proportional DOD share of GNP. An increase from 7 percent in 1965 to 9.3 percent in 1968 was much less sharp, as it amounted to only a 9.9 percent average annual rate of increase in the proportional DOD share of GNP. The currently planned buildup is gradual in comparison to prior periods. The increase in the DOD percentage of GNP is less than one-third as sharp as the increase in the 1965-68 period.

The currently planned buildup is also compensated by planned fiscal actions to offset the economic effects of the higher rates of Defense spending. Excluding National Defense, the Mid-Session Review for Federal Budget Authority for the five-year period 1982-86 provides about 2.2 percent annual decline in real growth, i.e., after inflation. The programmed decrease in non-Defense spending will help accommodate adjustments to the Defense buildup within the economy. If appropriate fiscal and monetary measures are followed and if the Department of Defense can remain on a steady but upward budget course, I believe the currently proposed defense program need not cause serious economic difficulties.

The leadtimes necessary to increase Defense procurement of major weapon systems and other investments in Military Construction and R&D result in gradual effects on the economy. The current buildup in Defense investment is in sharp contrast to the Vietnam buildup in manpower which had a more immediate effect on the economy. The spendout of investment programs differs among accounts with most of RDT&E program spending over a two-year period while 55 percent of a shipbuilding program will spend in the fifth year or later. These spending profiles are very important, not only because of the gradual way that they impact the economy, but also in understanding the controllability of outlays. Increases in DOD outlays will lag the currently planned increases in Defense programs (Total Obligational Authority).

These outlays relate to obligational authority of several prior years, as well as that of the current year. For example, in FY 1982, 30 percent of the \$181.8 billion dollar outlay result from funds approved in prior years. These unexpended balances are not the result of an inability to spend the money. Rather, they are associated with research, acquisition, and construction projects which take more than one year to complete. In essence, they are the portion of our non-current liabilities from the prior year which are reclassified as current liabilities this year. An understanding of this relationship between TOA and outlays is fundamental to controlling expenditures in any given year or time period.

INDUSTRIAL BASE

The expected expansion of military procurement will not overload industries so long as it is well anticipated at the industry level

and appropriate compensatory measures are taken. The U.S. does have the industrial capability to absorb the planned increase in Defense spending, provided we continue to pay close attention to the areas which have typically affected production. Our assessments show that materials and manpower availability, particularly for engineers and skilled workers, will require attention to ensure that problems are solved as they occur. Without this it can be expected that leadtimes will be long, resulting in increased hardware costs and reduced readiness. Leadtimes in the aerospace sector are currently showing improvement as the commercial modernization effort slows and Defense work receives increasing priorities. There are clear indications that industry capacity exists and that in certain areas such as forging capability, additional capability has been readied. We believe that the time phasing of our major programs is such that with prudent attention by both government and industry in these particular areas, we will be able to produce them. Our major concern, as you know, is the subcontract base. We are working hard to stimulate interest in DOD at that level and to ensure that our prime contractors pass down the acquisition improvements to their subcontractors. In addition, we are encouraging new entries into the Defense market for figures not generally in the Defense market place. We are also encouraging existing Defense contractors to add capital as required to meet growing requirements due to higher levels of defense spending.

In mid-1981, the average rate of capacity utilization for manufacturing industries was about 78 percent. Both the materials industries and the primary and advanced processing industries currently are operating with about 20 percent idle capacity. DRI projects that these utilization rates will move above 90 percent by the mid-1980's.

Plans to shift to greater reliance on multi-year contracts will provide a significant step toward efficiency and an insurance against bottlenecks. This change in the major systems acquisition process facilitates industry adjustments to a stable five-year Defense program, as opposed to having to react to major year-to-year shifts in Defense procurement.

I have enclosed to my statement several trend lines which show DOD spending as a percentage of budgetary and economic aggregates. The point that I make and, one that is clear from the charts, is that the currently planned Defense buildup will not have as much impact on the budget or the economy as those experienced in earlier periods.

This concludes my statement, Mr. Chairman. I am prepared to answer any questions you may have.

THE STATUS OF MATH AND SCIENCE EDUCATION AT THE ELEMENTARY SCHOOL LEVEL

Mr. THURMOND. Mr. President, I wish to share with my colleagues the concerns I have for the status of math and science education at the elementary school level. Math teachers are leaving the teaching profession for the more lucrative computer science field. As a result, there is a severe shortage of qualified elementary school math teachers in our Nation.

I feel that this is a part of a larger national problem that manifests itself in the current shortage of scientists and engineers in many fields. Furthermore, no improvement is foreseen in this situation. I believe that the place to begin to develop strong interests in science

and math is at the elementary school level.

Mr. President, a recent article on this subject by Mr. Joseph D. Whitaker in the Washington Post of November 8, 1981, discussed this serious problem and its causes. In order to share this article with my colleagues, I ask that this article be printed in the RECORD following my remarks.

The article is as follows:

SUBTRACTING MATH TEACHERS

When Sandra Lavene began teaching in the Montgomery County public schools 10 years ago, she had visions of unlocking the intricacies of mathematics for bright youngsters in a classroom brimming with enthusiasm.

But not long after she began teaching at Walt Whitman High School in Bethesda, Lavene's vision started to fade. As she expected, the work was hard, the students were sometimes unruly, and the pay was inadequate. What surprised her was the student apathy, the lack of respect for her profession, and the thanklessness.

"I would knock myself out," said Lavene, 34. "I'd stay up long hours marking papers. I worked after school helping the kids. But in nine years, the parents, the principal, the kids—nobody said 'thanks'."

She quit her \$19,000-a-year teaching job 18 months ago and exchanged the noisy classrooms for quiet computer keyboards, higher pay, merit raises and profit sharing at the Rockville office of Hewlett-Packard.

Decisions like Lavene's are causing increasing concern among educators and scientists who fear that the difficulty of attracting and keeping math teachers poses a threat not only to schools' ability to offer a full range of math courses but also to the nation's long-term dominance in math-related fields.

The same lures of higher pay and fewer hassles that have prompted an exodus by many math teachers also have reduced sharply the number of students opting for math education degrees in college, with the result that there are serious shortages of math teachers in various areas around the country.

Other areas, including Washington, have managed to maintain an adequate supply of certified math teachers so far. But they are aware of the problem and are scrambling to develop strategies to steer them around possible future shortages.

Many experts, pointing to the growing gap between teachers' salaries and those in private industry, expect the shortages to worsen, primarily in grades 7 through 12.

"A lot of math teachers are going into the computer field simply because it pays more and there are fewer hassles," said Max Sobel, president of the 80,000-member National Council of Teachers of Mathematics. "Math teachers coming out of college already realize that the \$12,000 paid to a beginning teacher is a lot less than the \$20,000 they could earn in the first year with some computer firms."

"In addition, the public's indifference to the plight of teachers, the low pay, crowded classrooms and poor facilities are a signal to many students to stay from the teaching field," added Sobel, who teaches math at Montclair (N.J.) State College.

Evidence of the problem abounds:

In North Carolina, 45 percent of all persons teaching math are not certified in the subject. Cleo Meek, assistant director of the mathematics division in the state department of education, said the state's math teachers—who earn \$12,000 to start—have been hired in large numbers by nearby computer firms that sometimes pay starting salaries of more than \$20,000.

The city of Houston, in a desperate effort

to hire more math teachers, has added an \$800 bonus to the starting salary of teachers certified to teach math. Still, this year the city issued 44 "emergency permits" to teachers not certified in mathematics in order to cover its math classes, according to Oscar Sarabia, director for secondary school assignments.

Philadelphia, which has just come off a crippling 50-day teachers' strike, began the last school year with 90 vacancies for math teachers and ended the year with 24 of those positions unfilled. With a starting salary of only \$10,900 for new teachers, school officials said they cannot compete with thriving, talent-hungry computer firms.

The National Center for Education Statistics last month released its most recent survey on the issue, showing that in 1979 there were 900 math teacher vacancies in elementary and secondary schools nationwide, although there were major surpluses in most of other fields.

A 1979-80 survey in Maryland found that 50,000 secondary school students were being taught mathematics by more than 400 teachers who were not certified to teach math. While that survey has not been updated, state education officials say the situation has not improved since it was taken.

In the Washington area, which has had fewer problems because of generally higher salaries and the lure of the nation's capital, public school systems routinely use persons uncertified in math to teach for a few days or a few weeks while they arrange to fill math vacancies.

Montgomery County, apparently alone among area systems, is allowing half a dozen former elementary school teachers uncertified in math to teach the subject at upper levels—after they took an aptitude test and promised to take the college courses necessary for certification.

Fairfax County reports no uncertified math teachers, but had been concerned about filling 25 vacancies when the year began. The county is developing a series of college courses that would be taught to teachers in the county schools over two summers and would culminate in a mathematics certification.

D.C. public schools, which have laid off hundreds of teachers in recent years because of declining enrollment and budget cuts, have been able to keep an adequate supply of math teachers by drawing from that pool.

The difficulty of recruiting and retaining math teachers nationwide over the past five years has been paralleled by a similar but somewhat lesser problem with science teachers, but more attention and concern are being focused on math because it is critical to so many disciplines.

"If school systems can't find enough qualified teachers, they will use teachers who do not have a good math background," said Alphonse Buccino, the National Science Foundation's acting deputy assistant director for science and engineering. "Advanced-level mathematics classes which usually have the lowest student enrollment are the first ones to be dropped when there are not enough teachers."

"Then students who might otherwise have studied math in college enter higher education poorly prepared and cannot compete in science and engineering programs. Ultimately, we could find that the pool from which we select our future scientists and engineers is shrinking."

Buccino said that current trends in the United States in which high school students over the last decade have been required to take fewer and fewer math and science courses are directly opposite the approach in Japan, Russia and Germany, where increasingly more math and science studies are required.

At the University of Maryland at College Park, the number of graduating students with math education majors has dropped from 39 eight years ago to only 10 last year, according to Robert Risinger, director of math education at the university. During the same period, the school's business administration, business management and engineering programs became overcrowded, Risinger said.

The same trend has emerged at the University of Virginia in Charlottesville where the number of math education graduates has gone from seven in 1973 to only three this year, according to William Lowery, the university's only remaining math education professor.

"I didn't go into teaching for the money," Lavene said recently. "I wanted to teach kids who had a love for learning math and would be willing to work hard. But after I taught for a few years, I found that the kids wanted good grades, but didn't want to do the work."

Her search for alternative employment led to Hewlett-Packard, where she said she was hired at a salary "significantly higher" than the \$19,000 she was earning as a teacher after nine years. Her employment package includes stock purchase options, profit sharing and merit pay increases that brought her pay raises amounting to 25 percent in her first year, she said.

"Mathematics is always a good background for working with computers," said Jerry Hendrick, a spokesman for Hewlett-Packard. "And math teachers make attractive prospective employees because they can usually assimilate computer information rapidly."

"But we don't want to give the impression that we're out to raid the high schools," Hendrick said. "In every instance that we've hired a teacher, they've come to us. If we have an opening and a math teacher applies, we can't say, 'You're needed in the school system, go back there.'"

Lavene's reasons for leaving teaching are echoed by Paris Rasnic. At age 22, he graduated from Virginia Polytechnic Institute with a bachelor's degree in mathematics and immediately took a job teaching math at Marshall High School in Fairfax County.

For the first few years, said Rasnic, he enjoyed teaching. Then the novelty of the classroom wore off and the daily routine of teaching began to wear on his nerves.

"The kids wouldn't cooperate in the classroom," said Rasnic, 32, who is currently employed by a Fairfax County computer firm. "It was a discipline problem that I couldn't control. I frequently came home from school frustrated and mad. That was no way to live."

Rasnic found the contentment he was seeking in a nearby computer firm, which hired him to keep an array of computer programs running smoothly. With few regrets, Rasnic replaced his chalk board, text books and complaining students with a cozy suburban office equipped with computer terminals and silent green screens.

When he went to work for the computer firm in Vienna, Rasnic said, they first increased the \$16,500 a year he was earning after seven years as a teacher by \$5,000 in cash and other benefits. He currently earns \$27,000 annually, after three years with the company, Rasnic said.

But the money is only one of the benefits of his new job, he said. "I like it here because your supervisors notice what you do and they show appreciation if you've done good work." His job is to keep an array of computer programs running smoothly, and "I can go home relaxed. I don't have to carry my work home with me."

At the end of a typical day, Andre Samson, a math teacher at Woodson High School in Fairfax, leaves work with a briefcase filled with student papers. At home, after dinner, he will typically spend two to three hours

marking and evaluating the papers so he can return them to his students the next day.

"When I go home, I don't play with my daughter or talk to my wife or watch television," said Samson, who said he values job satisfaction over wealth. "I grade my papers. I feel I owe it to the kids to get their papers back to them as quick as possible."

As Samson, voted Virginia's "Teacher of the Year" three years ago, has continued his devotion to teaching, he has seen several of his colleagues move into higher paying, less demanding jobs in the computer field.

"I must admit I'm beginning to envy them more and more," he said. "The people who have left teaching come back with a new personality. They say they have fewer pressures and don't have to take their work home."

"Teaching is not a rosy profession," said Samson, 39. "But I'm a professional and the zest for teaching is still in me. But I don't know how long I can continue because the economic pressure has hit me like it has everyone else."

"I work hard and every now and then I get a pat on the back. But a pat on the back won't feed my family."

THE MOVING AUTOBIOGRAPHY OF CHARLOTTE SALOMON

Mr. PROXMIRE. Mr. President, I have never ceased to be amazed by the stream of incredible stories flowing from those who experienced the horrors of the Jewish holocaust. Over the years that I have urged ratification of the Genocide Treaty I have discussed articles and books written by both the victims of the Nazi death camps, and those few who survived.

Last Sunday, the New York Times reviewed yet another of these deeply moving works. "Charlotte: Life or Theater?" is an autobiography by Charlotte Salomon, who became a victim of the Auschwitz gas chambers at the age of 26. Her story, according to the reviewer, is an attempt to come to terms with the tragic circumstances of her life.

In 1943 she was put to death at Auschwitz, but as the reviewer notes, "not before she had completed a work that will live."

And indeed this work does live. It is living testimony to the dignity of human life, even under the most dire of circumstances.

Charlotte Salomon lived a short and tragic life, yet in that lifetime she created a masterpiece of literature and art work. In the 2 years prior to her deportation to Auschwitz she completed a manuscript of 1,325 sheets of paintings and text.

The Times reviewer calls this work an extraordinary performance, an operetta of despair. And he uses words like "stunning and realistic" to describe the art work of Charlotte Salomon, who he says "was an artist in her own right."

Mr. President, how many other Charlotte Salomons did the world lose to the Nazi death camps? How much creativity and talent was snuffed out?

Mr. President, the Genocide Convention is an affirmation of and tribute to that special dignity which Charlotte Salomon and other victims of the holocaust embodied. It seeks to safeguard the fundamental human rights denied

them by making genocide an international crime.

I urge my colleagues to add additional meaning to Charlotte Salomon's story and those of others like her by ratifying the Genocide Convention.

I ask unanimous consent that the article which appeared in the New York Times on November 8 be printed in the RECORD.

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

PAINTED LIFE—"CHARLOTTE: LIFE OR THEATER?"

(By Peter Gay)

Each autobiography is, by definition, unique. If many published self-explorations fall to claim their readers' attention for long, it is because they are so predictable, running in the well-worn grooves of the chatty-anecdotal, the portentous-public, the confessional-intimate. Yet, rarely, an autobiography comes along that speaks with an arresting voice of its own which seems to owe nothing to anyone else. "Charlotte: Life or Theater?" which its author called, in the original German subtitle, a singspiel, or musical play, is such a rarity. It is an extraordinary performance, at once an operetta of despair and a heroic attempt at self-liberation from the double curse under which Charlotte Salomon found herself: the curse of the time in which he lived and the curse of her particular family history.

"Charlotte," an intriguing and beautifully produced book, consists of almost 800 gouaches, most of which Salomon inscribed with bits of dialogue or authorial asides. Some of the paintings, however, stand eloquently mute, depending on their visual message alone. In this dramatized rather than literal account of her life, Salomon sought to come to terms with depressing circumstances. She did so, memorably.

Born in Berlin in 1917 to a cultivated Jewish family, Salomon emigrated to southern France in early 1939 to join her grandparents, who had lived there since 1933. Anxiety, temporary internment, concealment and the death camps followed. In the midst of this most unpromising of esthetic environments, racing against time, Salomon wrote and painted her "autobiographical play," with its physical detail and psychological evolutions. It is a gripping story.

It is also a reminder that the currents of private life, however diverted, dislodged, twisted by overpowering public events, retain their hold on the individual. After her grandmother fell into a suicidal depression, Salomon's grandfather told her something of the dismaying family background. When Charlotte was 9 years old, her mother had committed suicide—a death ascribed in the family mythology to influenza. Several other members of her family, including her great-grandmother and her aunt, after whom she had been named, had also killed themselves. Her grandmother, for all of her family's efforts, eventually chose the same way out, and Charlotte, feeling doomed, saw her choice to be, as she put it, "to commit suicide or to undertake something wildly eccentric."

Fortunately for posterity, she chose the latter alternative. An accomplished painter—the self-portrait on the book's jacket is a stunning, realistic rendering—she began the immense labor that resulted in "Charlotte." She worked rapidly and effectively, and by violating the laws of perspective, distorting her figures and choosing sharply contrasting, sometimes livid colors, she gave her gouaches a dreamlike quality. Some of the paintings, in which she repeats a single disembodied face over and over, endowing each with a

line to say, look strikingly like anticipations of Jules Feiffer cartoons. Many of them, were they less than grim and more openly playful, bear a distinct resemblance to Ludwig Bemmelman's drawings in such books as "Madeline." Some of her use of color reminds one, as she was reminded, of van Gogh. But such comparisons are odious: Charlotte Salomon was an artist in her own right.

Most of her autobiography weaves fantasies around two figures: her stepmother, a vivacious singer whom the young Charlotte visibly adored and (I should suppose) unconsciously resented; and the mysterious Alfred Wolfsohn, a voice teacher and accompanist who came into her household, apparently had an affair with her stepmother and became the target of Charlotte's youthful capacity for infatuation. Wolfsohn, who had developed some mystical theories about the relation of the voice to the soul and the meaning of dreams, seems to have been a charismatic man, and Charlotte's largely imaginary involvement with him punctuates her book.

It is a disheveled but not unorganized work; the events of the outside world impinge, but mainly as spurs to further work, and as causes of misery, sounding offstage, louder and louder. She worked on it intensely, feverishly, for about two years. Then, in the late summer of 1942, not long before she was to be deported, she handed it over to the doctor of Ville-franche-sur-Mer, and asked him to take care of it, saying, "C'est toute ma vie." Her parents, who had spent the last years of the war in hiding in Holland, returned to the village in 1947, claimed a self-portrait and 1,325 sheets of paintings and text, and returned with them to Amsterdam.

The introductory material to this bulky and handsome volume outlines the details of Charlotte Salomon's story with dignity and economy. Judith Beilinfante, director of the Jewish Historical Museum in Amsterdam, where most of Salomon's work is housed, provides a brief appreciative preface, and Judith Herzberg, in a sympathetic and informative introduction, adds the biographical background essential to an understanding of this painted autobiography. What a poignant and agitated life it was! But the real life is within the book: Page after page reveals a profound and touching eroticism. Salomon paints scenes of herself and her fancied lover naked, intertwined, and by the epilogue, which is largely devoted to her grandmother's futile struggle against her suicidal wishes, as Salomon's style grows more and more frenzied, more and more expressionistic, her association of sexuality with death is direct and explicit. Yet there is peace here, and a love of life.

The last page of "Charlotte" repeats the question of the title. It shows a young woman in a bathing suit, drawn from the back in partial profile, sitting on the beach sketching, with "Leben Oder Theater?" ("Life or Theater?") written on her back. Charlotte Salomon might eventually have decided to kill herself; we shall never know. The Nazis did the killing for her, probably at Auschwitz, in 1943. But not before she had completed a work that will live.

VETERANS DAY

Mr. SIMPSON. Mr. President, tomorrow is Veterans Day 1981. Citizens of our great Nation will pause, reflect, honor, laud, and express gratitude to the countless thousands who have made the ultimate sacrifice for us—so that we may continue to enjoy the blessings of freedom and liberty. The sacrifice of our brave and valiant men who fought in World War I and all of the wars since,

remains vivid, but we need to remind ourselves on a day set aside in honor of our veterans of the sacrifices made by so many in behalf of our country.

In 1926 Congress officially proclaimed November 11 of each year as Armistice Day, a day of celebration of the end of the "war to end all wars." As we all know, this date each year became a special day to honor all Americans who served in our Armed Forces during our Nation's wars.

From 1968 to 1978 Veterans Day was officially observed on the fourth Monday in October. It was for "convenience" that the special Monday holiday legislation was created by public law in 1968. The original date of November 11 was restored by act of Congress because of its historical significance as the day originally set aside to honor the memory of those Americans who sacrificed their lives in the military service of their country. Most Americans are pleased that we are now back on track and observing Veterans Day on the original Armistice Day—November 11 of each year.

American forces have been in war many times. The memory of our last encounter—the Vietnam war—is still very much with us. Our participation in that conflict extended over the longest wartime period of our history—from 1962 to 1975. Two and a half million American men and women served; 57,000 lives were lost and over 300,000 were wounded.

The Vietnam war was unique in many ways. It was indeed different from other wars in the way it was supported and received. That war provoked bitter debate here at home with lingering divisions between families and friends. Returning veterans did not receive the traditional heroes' welcome when they returned. Many of those veterans are still left with the feeling that their sacrifice was in vain—forgotten victims of an unpopular war.

It is especially appropriate on the occasion of this 1981 Veterans Day to honor all veterans and especially those who served in Vietnam. The Nation does appreciate the heroic Americans who served in Southeast Asia. The Nation is indebted to those veterans as it is to the veterans of all wars in which we have participated.

As chairman of the Senate Committee on Veterans' Affairs and in behalf of its members I pay tribute to the veterans of Vietnam and all veterans of the wars. In doing this, we pay tribute not only to the dead but also to the living—to the great majority of the American people who have built our Nation, fought for it and preserved it and made it great.

On this special day let us not forget the thousands of disabled veterans, many still confined to hospitals. Let us be mindful of the dependents and the widows and families of deceased veterans whose lives were shattered in our Nation's behalf. Let us take this opportunity to pay tribute to personnel of our veterans' hospitals and the doctors, nurses and technicians whose efforts are often overlooked, and who are giving the very best of their energies, their knowledge and their skill to assist in comforting the sick and disabled.

On this Veterans Day, 1981, it is fitting

to review legislative accomplishments for and in behalf of veterans during the year. It has indeed been a year of achievement. I will not comment on all of the legislative activities, but among those bills enacted is the Former Prisoners of War Benefits Act of 1981 which grants the VA authority to allow service connection of any of the anxiety states of any psychosis to any veteran who was held in POW captivity for 30 days or more. It also reduces from 180 to 30 days the time a veteran was held in POW captivity before certain disabilities commonly assumed to be related to the POW experience may be presumed to be service connected by the VA. It provides ex-POW's with a variety of health care entitlements.

This year's health care bill will greatly enhance the benefits of Vietnam-era veterans as well as the benefits for disabled veterans. Among other things that legislation will:

Authorize VA medical treatment for conditions that may be related to exposure to agent orange in Vietnam or radiation during atomic weapons tests.

Extend the VA's operation outreach psychological readjustment program—storefront counseling centers—for Vietnam-era veterans for 3 more years.

Extend the authority of Federal agencies to hire eligible disabled and Vietnam-era veterans on a noncompetitive basis.

Extend GI bill training benefits under certain, very limited circumstances.

Create a small business loan program within the VA for Vietnam-era and certain disabled veterans.

Make \$2.5 million available over 5 years to upgrade veterans' health care facilities in the Philippines.

This year's service-connected disability compensation legislation provides for an average of 11.2-percent increase in compensation and for a 11.2-percent increase in survivors' dependency and indemnity compensation. This legislation also increased the VA's automobile assistance and adaptive equipment program for eligible handicapped veterans.

This legislation increased the maximum amount of servicemen's group life insurance and veterans' group life insurance that may be purchased from \$20,000 to \$35,000. Other provisions of the compensation bill will be beneficial to disabled veterans and indeed, to all veterans.

Our Senate Committee on Veterans' Affairs continues its deep interest and concern in behalf of veterans, their survivors and dependents. We are aware of our responsibilities.

On this Veterans Day 1981 may the Nation recognize the need to employ our talents to prevent war so that men can live in peace and harmony. The world continues to be filled with deadly threats and possibilities for war. We must continue to look for peaceful means of solution of the world's problems. What a tremendous responsibility and opportunity those of us serving in the Congress of the United States have at the present time. May God grant us grace and courage to act reasonably and responsibly in meeting the challenges of a difficult and dangerous period of our history.

VETERANS DAY 1981

Mr. CRANSTON. Mr. President, tomorrow morning—traditionally at the 11th hour of the 11th day of the 11th month—this Nation will pause to remember and pay tribute to those citizens who have served this country in the Armed Forces. It is a day set aside to reflect upon and be thankful for the sacrifices of all those noble men and women who since the American Revolution have given of themselves to preserve and protect our Nation's strength and prosperity. The debt owed to those veterans is one which will never fully be repaid.

Thus, Mr. President, while it is entirely appropriate that the Congress has set aside one day a year to honor these individuals, we cannot lose sight of the fact that our obligations and commitments to them extend far beyond this one day. It is a full-time responsibility. And it is a national responsibility shared by all citizens.

In recognition of the contributions of these former servicemen and women, the Federal Government has historically provided a system and program of veterans benefits designed, as Abraham Lincoln so eloquently stated more than 110 years ago:

To care for him who shall have borne the battle and for his widow and his orphan.

Maintaining and improving those benefits is one of the most important ways in which we can attempt to fulfill our responsibilities to this individual.

This year, during a period of extremely tight fiscal constraints and budget cuts, I am proud to say that we in Congress have succeeded in seeing that our commitments to veterans are kept. As ranking minority member of the Committee on Veterans' Affairs, it has been my privilege to be deeply involved in the development of the three measures that the Congress has approved thus far this year, which have each now signed into law, that are designed to meet the needs of those who responded to their country's call for service to preserve our national security.

First, the Former Prisoner of War Benefits Act of 1981, Public Law 97-37, enacted on August 14, 1981 is designed to improve VA benefits for veterans who are former prisoners of war and who made such special sacrifices and endured such extreme hardships. Their strength, courage, and love of freedom helped to preserve our country. This new public law includes provisions from a bill, S. 670, which I introduced earlier this year, and is based, in part, on the findings and recommendations made by the VA in its report entitled "Study of Former Prisoners of War," which was submitted to the Congress on June 2, 1980, pursuant to a provision I authored in 1978 in Public Law 95-479. The provisions of the new Public Law 97-37:

Require the establishment in the VA of a national advisory committee on former POW's.

Make a number of modifications relating to presumptions of the service-connected nature of certain disabilities so as to relieve the burden on a former POW to submit evidence to the VA that

those disabilities are service-connected. Otherwise, the burden of providing service connection is often difficult and unfair because of missing or inadequate records or the medical difficulty of tracing service connection to the POW experience.

Provide eligibility—without the need to claim and show the inability to defray expenses—for health care in VA facilities for any disability of a former POW that may require hospital care.

Second, the Veterans' Disability Compensation, Housing, and Memorial Benefits Amendments of 1981, Public Law 97-66, enacted on October 17, 1981, provides increases in a number of VA benefits and programs designed to meet the needs of those who suffer from the wounds, scars, or other impairments of service to their country.

I have always considered service-connected disabled veterans, who now number 2.3 million, and the more than 350,000 surviving family members of those who have died of service-connected causes to be the highest priority category of veterans. This new law, which contains a number of provisions I authored from S. 415, S. 416, and various amendments to S. 917, not only provides cost-of-living increases in various VA benefits for service-connected disabled veterans, but also makes a number of improvements in other VA programs. The major provisions of this new law:

Increase, effective October 1, 1981, the basic rates of service-connected disability compensation by an average of 11.2 percent, as follows: for veterans rated 100-percent disabled, 11.2 percent; for veterans rated 70 through 90 percent, 20 percent; for veterans rated 40 through 60 percent, 12.6 percent; for veterans rated 10 through 30 percent, 8 percent. This new law also increases by 11.2 percent the rates payable for certain severe disabilities, the rates of dependency and indemnity compensation, the annual clothing allowance, and the dependents' allowance.

Raise by one full step the statutory award designation that determines the rates of special monthly compensation payable to veterans who suffer from service-connected loss or loss of use of both upper extremities.

Increase from \$3,800 to \$4,000, effective October 1, 1981, the maximum amount of assistance payable by the Administrator toward the purchase price of an automobile or other vehicle in the case of certain severely disabled service-connected veterans.

Extend eligibility for appropriate automobile adaptive equipment to service-connected disabled veterans who suffer from ankylosis—fused joints—of one or both knees, or one or both hips.

Increase from \$20,000 to \$35,000, effective December 1, 1981, the maximum amount of servicemen's group life insurance and veterans' group life insurance that may be purchased.

Permit certain beneficiaries of National Service Life Insurance and U.S. Government Life Insurance policies to elect lump-sum payment of proceeds.

Permit the VA to guarantee graduated-payment mortgage loans.

Increase from \$30,000 to \$32,500, ef-

fective October 17, 1981, the maximum amount of assistance payable for specially adapted housing—the "wheelchair home" program for certain severely disabled service-connected veterans.

Conform the maximum maturities for mobile home loans which may be guaranteed by the VA to the maximum maturities applicable in the case of FHA-insured mobile home loans so as to facilitate the "pooling" of such loans for selling on the secondary market.

Provide that the non-service-connected pension of certain hospitalized veterans would not be reduced during certain periods of hospitalization where the primary purpose of care is the provision of a prescribed program of rehabilitation.

Prohibit the expenditure of any medical care account funds from being used to carry out any preliminary studies of the feasibility of contracting out of functions in VA health-care facilities pursuant to Office of Management and Budget Circular A-76 unless Congress appropriates funds specifically for that purpose.

Require at least a 9-month advance notice to the Congress of certain reorganizations involving substantial reductions of employment levels in VA facilities and offices.

Clarify that the section 5010(a)(4) of title 38 requirement—that, after the enactment of each law making appropriations to the VA, the Director of OMB must provide the VA with the authority and funds needed to employ not less than the numbers of employees for which the Congress has appropriated funds in three named VA health-care accounts—applies to an appropriation law—such as a continuing resolution—that provides funding for only part of a fiscal year.

Third, the Veterans' Health Care, Training, and Small Business Loan Program Act of 1981, Public Law 97-72, enacted on November 3, 1981, will probably prove to be the most significant single piece of legislation for Vietnam veterans passed by the Congress in recent years. It includes the major provisions of S. 458 and S. 636 which I introduced earlier this year. Its enactment demonstrates that the Federal Government recognizes that it has a continuing commitment to this generation of war-time veterans. The key provisions of this new law:

Provide for a 3-year extension, until September 30, 1984, of the eligibility period within which Vietnam-era veterans can request readjustment counseling from the VA.

Establish eligibility for basic VA health care for Vietnam veterans for disabilities requiring hospitalization that may be related to exposure to dioxin, the toxic contaminant in agent orange, or to other toxic substances used in other herbicides or defoliants in Vietnam. Similar eligibility is established for veterans suffering disabilities requiring hospitalization that may be related to exposure to radiation during their service—as a result of their participation in nuclear testing programs or the occupation of Hiroshima or Nagasaki following World War II.

Require the VA to operate and maintain a combined total of 90,000 hospital beds and nursing home beds and to request funds annually sufficient for that purpose and to maintain the availability of such additional beds and facilities as are necessary to fulfill the Administrator's contingency responsibility regarding assistance to the Department of Defense in caring for military casualties resulting from armed conflict.

Provide a targeted extension of the time period for certain Vietnam-era veterans to use certain GI bill benefits. This is a 1-shot, 2-year extension, until December 31, 1983, and is provided for Vietnam-era veterans who lack a high school diploma or are in need of job or skill training.

Extend the veterans' readjustment appointment—VRA—authority for 3 years. Under this authority, disabled or educationally disadvantaged Vietnam-era veterans may be given excepted appointments by Federal agencies.

Provide authority for the establishment of a new small business loan program through the VA. If funds are appropriated for this program, the VA would be able to make or guarantee loans for service-connected disabled veterans and guarantee loans for Vietnam-era veterans to assist them in small business undertakings.

Authorize the VA to expand the congressionally mandated agent orange study to include an evaluation of the effects of exposure to other substances in Vietnam, including other herbicides, chemicals, medications, or environmental hazards and require a systematic followup by the VA on the study results and other available scientific evidence related to these subjects.

Mr. President, I am also generally pleased with and would note briefly the progress that the Congress had made thus far in the budget and appropriations processes for veterans' programs in fiscal year 1982. In the first concurrent resolution on the budget for fiscal year 1982—thanks to the efforts of many in the House and Senate, among whom I would note in particular the House Veterans' Affairs Committee Chairman SONNY MONTGOMERY and House committee member BILL HEFNER—potentially disastrous cuts in Veterans' Administration health-care programs and in the operation of VA regional offices were restored.

Thereafter, the House and Senate each passed, with minor differences in VA programs, the proposed HUD-Independent Agencies Appropriations Act, 1982, H.R. 4034, with generally adequate funding levels for the VA. The subsequent conference report on H.R. 4034, the funding levels of which were incorporated in the continuing resolution, Public Law 97-51, is a good measure in terms of appropriations for veterans programs, but it unfortunately was passed only by the House and is still pending in the Senate, where it is in serious danger because of expressions of administration opposition to the funding levels in the bill.

I support and have urged Senate action on the conference report on H.R.

4034 as the best approach toward helping insure that VA programs receive the support they need in fiscal year 1982.

Mr. President, 39 million brave men and women have served this country in uniform during time of war. These individuals—more than 25 million of whom are still living—as well as the 4.2 million peacetime veterans deserve our utmost respect and admiration for their service to the Nation. Since coming to the Senate in 1969, I have worked hard to ensure that veterans of all service periods and their dependents receive all the benefits and assistance they have earned by their service and to improve existing programs and authorize new ones when necessary to meet their special needs.

On the occasion of Veterans Day 1981, I pledge to them and their loved ones my continued efforts and support.

NATIONAL DISABLED VETERANS WEEK

Mr. DOLE. Mr. President, few have sacrificed more for our great country than our disabled veterans. Some 2½ million of the brave Americans who have fought in combat have not only endured the fear, loneliness, and extreme deprivation that engulfed them while at war, but have also carried with them, to this day, harsh reminders of that dark period in their lives. These selfless Americans, after seemingly giving all they had to give that their country might remain free, gave even more—the ultimate sacrifice, their physical or mental health.

Their disabilities range from the loss of limbs, sight, hearing, and mobility to the delayed stress syndrome experienced by many Vietnam veterans. Often, the loss these patriots have suffered prevent them even now from attaining and holding the jobs they would otherwise have been able to acquire.

We as Members of Congress have no greater responsibility than to insure the security of our Nation, that great bulwark of freedom. This responsibility is appended by our equally pressing obligation to honor and serve as best we can those veterans who gave that which can never be returned. It is to recognize this great sacrifice that I join with the Senator from California in introducing a resolution to designate the week of November 7 through November 18, 1982 as "National Disabled Veterans Week." While we honor these veterans, let us hope and pray that there will be no new veterans to honor in the years to come.

RETURNING HOLIDAYS TO THEIR ORIGINAL DAY OF OBSERVANCE

Mr. RANDOLPH. Mr. President, tomorrow, Veterans Day, is the special occasion established to honor the men and women who have served in our Armed Forces to preserve and protect the freedoms that our forefathers first guaranteed for us over 200 years ago.

In 1968, there was a strong initiative to create a special Monday holiday observance for Federal holidays. A special Monday holiday was established for George Washington's Birthday, Memorial Day, Columbus Day, and Veterans

Day, as a result of the enactment of Public Law 90-363.

Veterans soon sensed that their special day of armistice observance had lost much of its credibility and recognition as their day became a day of holiday convenience in November.

Strong efforts by veterans and their service organizations brought legislation in the 94th Congress to return Veterans Day to its original date of observance on November 11. As a cosponsor of the proposal to return the observance to November 11, it was my privilege to work with our Nation's veterans organizations and other groups to seek passage of our proposal. Effective help of all those involved gave us Public Law 94-97. The first observance of the return date was in 1978.

Mr. President, on February 6, 1981, it was my responsibility to introduce S. 447, which if enacted will return the three remaining Monday holidays to their original date of observance—George Washington's Birthday would be returned to February 22; Memorial Day to May 30, and Columbus Day to October 12.

Presently S. 447 is cosponsored by Senators STAFFORD, STENNIS, THURMOND, GOLDWATER, SIMPSON, GARN, and BURDICK.

I am hopeful that we will receive needed support in this Congress to return these historical dates to their actual date of observance.

Newspaper editorials support this proposal. We have the full support of the major veterans organizations: The American Legion, the Veterans of Foreign Wars, and the Disabled American Veterans.

America has a heritage that is important and it must be maintained. I believe that by passing our proposal we can return to some of our traditional values to our way of life.

Mr. President, I urge my colleagues to support S. 447. It would be helpful to have their cosponsorship.

MESSAGES FROM THE PRESIDENT

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

EXECUTIVE MESSAGES REFERRED

As in executive session, the Acting President pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

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

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. THURMOND, from the Committee on the Judiciary, with amendments and an amendment to the title:

S.J. Res. 34. Joint resolution to provide for the designation annually of "National Patriotism Week".

By Mr. GORTON, from the Committee on Environment and Public Works, with amendments:

S. 1192. A bill to amend the National Visitor Center Facilities Act of 1968 to provide for the rehabilitation and completion of Union Station in Washington, District of Columbia, and for other purposes (Rept. No. 97-269).

By Mr. THURMOND, from the Committee on the Judiciary, without amendment:

H.R. 4734. An act to recognize the organization known as the Italian American War Veterans of the United States.

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. THURMOND, from the Committee on the Judiciary:

William H. Kennedy, of California, to be U.S. attorney for the southern district of California for the term of 4 years;

Joseph Wentling Brown, of Nevada, to be a Member of the Foreign Claims Settlement Commission of the United States for the term expiring September 30, 1983;

Ronald D. Lahnners, of Nebraska, to be U.S. attorney for the district of Nebraska for the term of 4 years;

Charles Pennington, Jr., of Kentucky, to be U.S. Marshal for the eastern district of Kentucky for the term of 4 years;

Kernan H. Bagley, of Oregon, to be U.S. Marshal for the district of Oregon for the term of 4 years;

Gerald D. Pines, of Illinois, to be U.S. attorney for the central district of Illinois for the term of 4 years;

W. Hunt Dumont, of New Jersey, to be U.S. attorney for the district of New Jersey; Charles R. Brewer, of North Carolina, to be U.S. attorney for the western district of North Carolina for the term of 4 years;

Lincoln C. Almond, of Rhode Island, to be U.S. attorney for the district of Rhode Island for the term of 4 years;

John Perry Alderman, of Virginia, to be U.S. attorney for the western district of Virginia for the term of 4 years;

Blaine Skinner, of Idaho, to be U.S. Marshal for the district of Idaho for the term of 4 years;

Delaine Roberts, of Wyoming, to be U.S. Marshal for the district of Wyoming for the term of 4 years; and

Elsie L. Munsell, of Virginia, to be U.S. attorney for the eastern district of Virginia for the term of 4 years;

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

S. Ex. Res. 2. An original executive resolution providing for the return to the President of various income tax treaties (Ex. F. 89-1); (Ex. D. 94-2, Ex. E. 88-1) (Ex. Rept. No. 97-25).

By Mr. PERCY, from the Committee on Foreign Relations, without reservation but subject to two understandings:

Ex. Y, 96th Cong. 2nd sess. Tax Treaty With the People's Republic of Bangladesh (Bangladesh) for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and the encouragement of international trade and investment (Ex. Rept. 97-26).

By Mr. PERCY, from the Committee on Foreign Relations, with a reservation and an understanding:

Ex. U, 96th Cong. 2d sess. Tax Treaty with the Arab Republic of Egypt for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and the encouragement of international trade and investment (Ex. Rept. No. 97-27).

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

Treaty Doc. 97-1, 97th Cong. 1st sess. Tax Treaty with the Federal Republic of Germany (Germany) for the avoidance of double

taxation and the prevention of fiscal evasion with respect to taxes on estates of deceased persons and on gifts (Ex. Rept. 97-28).

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

Ex. C, 94th Cong. 2nd sess. and Ex. M, 96th Cong., 2nd sess. Tax Treaty and Proposed Protocol with the State of Israel (Israel) for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and the encouragement of international trade and investment (Ex. Rept. No. 97-29).

By Mr. PERCY, from the Committee on Foreign Relations, with an amendment and subject to an understanding:

Ex. E, 96th Cong., 2nd sess. Tax Treaty with the Republic of Malta for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and the encouragement of international trade and investment (Ex. Rept. No. 97-30).

By Mr. PERCY, from the Committee on Foreign Relations, subject to a reservation and an understanding:

Ex. H, 95th Cong., 2nd sess. Tax Treaty with the Kingdom of Morocco (Morocco) for the avoidance of double taxation and the provision of fiscal evasion with respect to taxes on income and the encouragement of international trade and investment (Ex. Rept. 97-31).

By Mr. PERCY, from the Committee on Foreign Relations, without reservation but subject to an understanding:

Ex. Z, 96th Cong., 2nd sess. Protocol to the Tax Treaty with the Kingdom of Norway for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income (Ex. Rept. 97-32).

By Mr. GARN, from the Committee on Banking, Housing, and Urban Affairs:

Jeffrey S. Bragg, of Ohio, to be Federal Insurance Administrator, Federal Emergency Management Agency.

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. ROTH:

S. 1831. A bill to provide for the establishment of a national cemetery on the Delmarva Peninsula in Delaware, Maryland, or Virginia, and for other purposes; to the Committee on Veterans' Affairs.

By Mr. LEVIN (for himself and Mr. COHEN):

S. 1832. A bill to amend the Internal Revenue Code of 1954 to provide taxpayers a cause of action for wrongful levy on property, and for other purposes; to the Committee on Finance.

By Mr. BENTSEN:

S. 1833. A bill to reduce the regulatory burden; to the Committee on Governmental Affairs.

By Mr. MOYNIHAN (for himself and Mr. DURENBERGER):

S. 1834. A bill to amend the Internal Revenue Code of 1954 to provide that a dividend paid by a corporation directly to certain charitable organizations at the direction of a shareholder shall be treated as a charitable contribution of the corporation, and to exclude such dividend from the income of such shareholder; to the Committee on Finance.

By Mr. LEVIN (for himself, Mr. BOREN, Mr. MOYNIHAN, and Mr. D'AMATO):

S. 1835. A bill to allow for the termination of certain single-employer pension plans maintained by enterprises which have been created pursuant to an order by the Federal Trade Commission; to the Committee on Labor and Human Resources.

By Mr. MOYNIHAN:

S. 1836. A bill to remove the limitations on the authority of the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation to borrow from the Treasury; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. HAYAKAWA (for himself, Mr. DOLE, Mr. EAST, Mr. INOUE, Mr. KENNEDY, Mr. SARBANES, Mr. HULL, Mr. MOYNIHAN, Mr. BRADLEY, Mr. DOMENICI, Mr. GOLDWATER, Mr. QUAYLE, Mr. SASSER, Mr. WARNER, Mr. MELCHER, Mr. EAGLETON, Mr. EXON, Mr. PERCY, Mr. SCHMITT, Mr. LEVIN, Mr. LONG, Mr. FORD, Mr. DENTON, Mr. RIEGLE, Mr. MURKOWSKI, Mr. DURENBERGER, Mr. ARMSTRONG, Mr. LUGAR, Mr. ANDREWS, Mr. TOWER, Mr. BAUCUS, and Mr. WALLOP):

S.J. Res. 123. A joint resolution authorizing the President to proclaim "National Disabled Veterans Week"; to the Committee on the Judiciary.

By Mr. DANFORTH (for himself, Mr. MOYNIHAN, Mr. DECONCINI, Mr. BAUCUS, Mr. SARBANES, Mr. HAYAKAWA, Mr. BRADLEY, Mr. KASTEN, Mr. HULL, Mr. STEVENS, Mr. KENNEDY, Mr. EAGLETON, Mrs. KASSEBAUM, Mr. RANDOLPH, Mr. TSONGAS, Mr. LEVIN, Mr. SASSER, Mr. STENNIS, Mr. GARN, Mr. DIXON, Mr. DOMENICI, Mr. FORD, Mr. SYMMS, Mr. NICKLES, Mr. ROTH, Mr. HUMPHREY, Mr. BENTSEN, Mr. HEINZ, Mr. DOLE, Mr. MELCHER, Mr. BOREN, Mr. MURKOWSKI, Mr. COHEN, Mr. JOHNSTON, and Mr. MATHIAS):

S.J. Res. 124. A joint resolution authorizing and directing the President to provide for the playing of taps at the Vietnam Veterans Memorial, Washington, D.C.; to the Committee on Armed Services.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. ROTH:

S. 1831. A bill to provide for the establishment of a national cemetery on the Delmarva Peninsula in Delaware, Maryland, or Virginia, and for other purposes; to the Committee on Veterans' Affairs.

NATIONAL CEMETERY ON THE DELMARVA PENINSULA

● Mr. ROTH. Mr. President, on November 11 our Nation will pay tribute to the deserving men and women who have served in our Armed Forces by celebrating Veterans Day. With this day of recognition approaching, I believe it is most fitting and I am pleased to be introducing legislation to provide for the establishment of a national cemetery on the Delmarva Peninsula.

There are over 79,000 veterans in Delaware and thousands more on the eastern shore of Maryland and Virginia. Mr. President, these veterans have served the United States with honor when duty called. They deserve to be buried in a national cemetery, close to where their loved ones and friends live. The families and friends who survive these patriotic veterans should not have to travel long distances to gravesites. Yet, there is no national cemetery in the State of Delaware, and the ones in the adjoining States of Maryland, Pennsylvania, or New Jersey, are closed. The closest one is Arlington National Cemetery in Virginia. However, Arlington is already overcrowded and most veterans cannot be buried there. This is all the more reason a centrally

located cemetery should be established on the Delmarva Peninsula.

A fitting answer to the lack of a national cemetery in Delaware and to the lack of burial space in the cemeteries in Virginia, Maryland, Pennsylvania, and New Jersey is to establish a national cemetery on the Delmarva Peninsula. This would make it possible for veterans from all five States to be buried close to their homes.

I feel it is most fitting to recognize the outstanding service of veterans in Delaware, Virginia, and Maryland by introducing this bill establishing a national cemetery on the Delmarva Peninsula.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

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

S. 1831

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of Veterans' Affairs is authorized and directed to (1) establish a national cemetery on the Delmarva Peninsula, (2) acquire by donation, purchases, condemnation, or otherwise, such lands in the State of Delaware, Maryland or Virginia, as may be required for the establishment of such cemetery. In determining the location of such cemetery, the Administrator of Veterans' Affairs shall take into consideration such factors as the Administrator determines will best serve the needs of veterans and their families in the States of Delaware, Maryland, Virginia, and adjacent States.

Sec. 2. The national cemetery established under authority of this Act shall become part of the National Cemetery System and shall be administered in accordance with the provisions of Chapter 24 of title 38, United States Code.

Sec. 3. There are authorized to be appropriated such sums that may be necessary to carry out the provisions of this Act.●

By Mr. LEVIN (for himself and Mr. COHEN):

S. 1832. A bill to amend the Internal Revenue Code of 1954 to provide taxpayers a cause of action for wrongful levy on property, and for other purposes; to the Committee on Finance.

INTERNAL REVENUE SERVICE LEGISLATION

● Mr. LEVIN. Mr. President, on July 31, 1980, I chaired a hearing which the Governmental Affairs Subcommittee on Oversight of Government Management held on Internal Revenue Service collection practices and their impact on small businesses.

The investigation began as a result of reports from small businesses of what appeared to be unnecessary and heavy-handed IRS use of its broad lien, levy, and seizure authority to collect delinquent taxes. Similarly, a number of IRS revenue officers had contacted the subcommittee with criticisms of internal managerial pressure mandating arbitrary liens, levies, and seizures even though inappropriate and where the tax delinquency could have been better recovered for the Treasury with less harsh methods.

The subcommittee made the following specific findings:

Liens were imposed against property with value grossly in excess of the

amount of the tax delinquency. The IRS failed to partially discharge property from the lien after the taxpayer had made partial payment. Liens remained on taxpayer property even after the delinquency was satisfied.

Levies were issued against taxpayer bank accounts and receivables with no concurrent notice to the taxpayer. Levies and seizures were made against taxpayers even where the IRS and the taxpayer had agreed to an installment pay plan, and the taxpayer was abiding by it.

Seizures were made by the IRS against taxpayer property which had no salable value, so-called no-equity seizure, despite an express IRS policy prohibiting such seizures.

A lien of a taxpayer's assets ties up the property and destroys its usefulness as collateral for the business or individual to borrow against—even to pay the IRS. A levy against a taxpayer can quickly strip a taxpayer of all cash reserve and irrevocably damage his or her creditworthiness, particularly when the taxpayer is a small business. Seizure of property which has no salable value brings no benefit to the IRS, other than that of threat and intimidation to the taxpayer; however, the property seized is often of much value to the taxpayer or his or her business.

In fiscal year 1979, the IRS issued 465,029 levies, 371,337 liens, and conducted 5,723 seizures. More recently, in fiscal year 1980, levies had risen to 610,942, up 31 percent, liens had climbed to 445,285, up 20 percent, and seizures had reached 9,421, up 66 percent. For the first 9 months of fiscal year 1981, there were 580,899 levies, 370,219 liens, and 6,651 seizures. With the continuing increase in use of levies, liens, and seizures, the concern for fairness and necessity in their application is even more pressing.

For that reason, I am introducing this bill, along with Senator COHEN who now chairs the subcommittee which addresses the specific problems which were brought to our attention during that hearing.

The first of these problems, as noted earlier, is that the IRS imposes liens against property with value far in excess of the amount of the tax delinquency. Currently, the Internal Revenue Code allows, but does not require, the IRS to discharge excess property from a lien as long as the IRS retains an amount under lien equal to double the amount of the liability.

This bill would require the IRS to discharge, at the taxpayer's request and where legally feasible, any property under lien which exceeds the amount needed to cover the actual tax liability and any approximated interest, penalty, costs, and prior liens.

This would insure the taxpayer that at least the value of the lien property was reviewed and an assessment made of the need to lien all of it. At the same time, the IRS is unfettered in its need to move quickly and effectively to protect the Government's interest.

Similarly, where the taxpayer has made partial payment of a tax liability, the IRS has the statutory discretion to discharge a proportional portion of the lien property. This bill would require the IRS, again at the taxpayer's request

and where legally feasible, to partially discharge lien property once partial payment has been made.

The IRS would be allowed to keep a lien on property in an amount necessary to cover the actual remaining tax liability, and any approximated interest, penalty, costs, and prior liens. Taxpayers would no longer be totally at the mercy of arbitrary IRS decisions on discharge requests, and yet the IRS would still have the authority to maintain a lien of property needed to insure the Government's eventual recovery.

A final problem with IRS' use of liens is that it failed to promptly release liens on taxpayer property once the tax delinquency had been fully paid. Currently, the Code authorizes the IRS to release liens when the liability has been satisfied; however, use of that authority is entirely discretionary and without guidance on how soon that release should occur. This bill would amend that section of the Code by requiring the prompt release of liens where the liability has been paid.

Taxpayers who had their bank accounts or accounts receivable levied by the IRS received no notice of levy from the IRS afterward. We propose to amend the Code to require the IRS to send a notice to the taxpayer concurrent with the notice to the bank or other third party property holder. This change would not affect levies on wages.

Where the IRS and the taxpayer have entered into an installment pay plan and the taxpayer meets those terms, then the IRS should no longer be allowed to precipitously levy or seize taxpayer property while the agreement is still in effect.

This bill would prohibit levies and seizures against the taxpayer for the duration of the agreement or for as long as the terms of the agreement were kept.

IRS seizure of property which has no salable value is forbidden by internal IRS guidelines, yet "no equity" seizures have continued to be used as a way of threatening and harassing taxpayers. This bill would impose a statutory prohibition on those seizures since IRS' internal policy has been ineffective in controlling this abuse.

The need for these proposed changes has been well documented in the testimony and evidence heard and received at the hearing. The Congress has conferred forcible collection powers on the IRS, including its authority to summarily lien, levy, or seize and sell taxpayer property. These powers play an important role in the IRS collection effort and are necessary to insure that taxpayers will not play fast and loose with the Federal tax system. However, when the use of these powers is abused or arbitrarily applied, then what was created as a necessary tool turns into a deadly weapon.

It seems timely then that the Congress should confer some protections on the taxpayers who are otherwise helpless in the face of IRS abuses or intentional violations of its own Code, rules, and regulations. It is for that reason that this bill also creates a specific cause of action for the taxpayer where the IRS knowingly violates the Code or its procedures or regulations in the following cases:

Where the IRS maintains excessive liens; where levies are imposed without proper subsequent notice to the taxpayer; and, where taxpayer property is levied or seized while the terms of an installment pay plan are in effect and still being met. Provisions in the Code which prohibit taxpayer action which impede tax collections or assessments still remain intact; this bill would create a cause of action after the collection action has been taken.

Mr. President, I request that the bill be printed in the RECORD.

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

S. 1832

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

SECTION 1. RELEASE OR DISCHARGE OF LIEN ON PROPERTY.

(a) MANDATORY RELEASE.—Subsection (a) of section 6325 of the Internal Revenue Code (relating to release of lien) is amended by striking out "may issue" and inserting in lieu thereof "shall promptly issue".

(b) DISCHARGE OF PROPERTY.—Paragraphs (1) and (2) of section 6325(b) of such Code (relating to discharge of property) are amended to read as follows:

"(1) PROPERTY IN EXCESS OF THE LIABILITY.—Upon request from the taxpayer, the Secretary shall promptly issue a certificate of discharge of any part of the property subject to any lien imposed under this chapter if the Secretary finds that such discharge is legally feasible and that the fair market value of that part of such property remaining subject to the lien is approximately equal to the sum of—

"(A) the amount of the unsatisfied liability secured by such lien, plus

"(B) the total amount of all other liens which have priority over such lien, plus

"(C) any interest, assessable penalty, or costs.

"(2) PART PAYMENT; INTEREST OF THE UNITED STATES VALUELESS.—

Upon request from the taxpayer, the Secretary shall issue a certificate of discharge of any part of the property subject to the lien where partial discharge is legally feasible and where—

"(A) there is paid over to the Secretary in partial satisfaction of the liability secured by the lien an amount determined by the Secretary, which shall not be less than the value, as determined by the Secretary, of the interest of the United States in the part to be so discharged, or

"(B) the Secretary determines at any time that the interest of the United States in the part to be so discharged has no value. In determining the value of the interest of the United States in the part to be so discharged, the Secretary shall give consideration to the value of such part and to such liens thereof as have priority over the lien of the United States."

(c) EFFECTIVE DATE.—The amendments made by this Act shall take effect on the date of enactment of this Act.

SEC. 2. LEVY AND DISTRAINT.

(a) LEVY DEFINED.—Subsection (b) of section 6331 of the Internal Revenue Code of 1954 (relating to seizure and sale of property) is amended to read as follows:

"(b) SEIZURE AND SALE OF PROPERTY.—The term 'levy' as used in this title includes the power of distraint and seizure by any means. Except as otherwise provided in subsection (d) (3), a levy shall extend only to property possessed and obligations existing at the time thereof, and shall not extend to property which has no value (other than a value pecu-

liar to the owner). In any case in which the Secretary may levy upon property or rights to property, he may seize and sell such property or rights to property (whether real or personal, tangible or intangible)."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to levies made on property after the date of enactment of this Act.

SEC. 3. NOTICE OF LEVY TO TAXPAYER IN THIRD PARTY CASES.

(a) IN GENERAL.—Section 6331 of the Internal Revenue Code of 1954 (relating to levy and distraint) is amended by redesignating subsection (e) as subsection (g) and by inserting after subsection (d) the following new subsections:

"(e) NOTICE OF LEVY TO TAXPAYER.—In the case of property held by a person other than the taxpayer (other than salary or wages described in subsection (d)), levy may be made under subsection (a) only if, at the same time notice of levy is sent to such person, notice of levy is also sent to the taxpayer at the taxpayer's last known address.

"(f) INSTALLMENT PAY PLANS.—Where an installment pay plan has been entered into between the taxpayer and the Service, the Secretary shall not levy upon or seize any property or rights to property belonging to that taxpayer for the specified duration of the agreement, unless the terms of the agreement are violated."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to any levy or installment pay plan made on or after the date of the enactment of this Act.

SEC. 4. CIVIL ACTION BY TAXPAYER FOR VIOLATION OF CERTAIN PROCEDURES.

(a) IN GENERAL.—Paragraph (1) of section 7426 (a) of the Internal Revenue Code of 1954 (relating to civil actions by persons other than taxpayers) is amended to read as follows:

"(1) WRONGFUL LIEN OR LEVY.—

"(A) ACTION BY TAXPAYER.—If a lien has been imposed, or a levy made, on property, the person against whom the tax (with respect to which such lien or levy arose) is assessed may bring a civil action against the United States in a district court of the United States on a claim that such lien was imposed or maintained, or such levy made, knowingly in violation of the procedures provided in sections 6325 or 6331 (or any regulations prescribed under such sections) or knowingly in violation of any agreement entered into between the Secretary and such person. Such action may be brought without regard to whether such property has been surrendered to, or sold by, the Secretary.

"(B) ACTION BY THIRD PARTY.—If a levy has been made on property or property has been sold pursuant to a levy, any person other than the person against whom the tax with respect to which such levy arose is assessed) who claims an interest in or lien on such property and that such property was wrongfully levied upon may bring a civil action against the United States in a district court of the United States. Such action may be brought without regard to whether such property has been surrendered to or sold by the Secretary.

"(C) WRONGFUL LIEN OR LEVY ACTION BY TAXPAYER.—The district court shall have jurisdiction to grant whatever form of relief may be appropriate under the circumstances in a cause of action brought under subsection (a) (1) (A)."

(b) CONFORMING AMENDMENTS.—

(1) Section 7426 of such Code is amended—

(A) by striking out the heading thereof and inserting in lieu thereof the following:

"SEC. 7426. CIVIL ACTIONS RELATING TO COLLECTION OF TAX."

(2) The table of contents of subchapter B of chapter 76 of such Code is amended by

striking out the item relating to section 7426 and inserting in lieu thereof the following:

"Sec. 7426. Civil actions relating to the collection of tax."

(3) Subsection (c) of section 6532 of such Code (relating to periods of limitations on suits) is amended—

(A) by striking out "the levy" in paragraph (1) and inserting in lieu thereof "the lien, the levy," and

(B) by striking out the caption thereof and inserting in lieu thereof the following:

"(c) SUITS RELATING TO COLLECTION OF TAX."

(4) Subsection (f) of section 6503 of such Code (relating to suspension of running of period of limitation) is amended—

(A) by striking out "of a third party", and

(B) by striking out "of Third Party" in the caption thereof.

(C) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of enactment of this Act.●

By Mr. BENTSEN:

S. 1833. A bill to reduce the regulatory burden; to the Committee on Governmental Affairs.

REGULATORY BURDEN REDUCTION ACT

● Mr. BENTSEN. Mr. President, most voters and taxpayers look on Washington as a city of mirrors, where enormous quantities of smoke are generated but little substance. Well, more often than not, that perception is right.

Take the issue of regulatory reform, for example. That word has cut through the media and Congress like a buzzsaw through bamboo. Expectations were created over the past several years that the web of sticky sometimes incomprehensible redtape woven by Government around our society would be slashed away. We were all going to wake up one morning to find the cavalry had routed the bureaucrats and chased them—with spools of tape and paper flying all about—perhaps overseas to bedevil our trading competitors.

The cavalry would be flying banners emblazoned with tiny scissors spelling out "Executive Order 12044," and the date "March 23, 1978," or "Executive Order 12291," and the date "February 17, 1981," to memorialize famous battles in the war on redtape. Well, I have not seen the cavalry come over the rise yet.

I believe I share the growing frustration that many of my colleagues and especially our citizens feel with the dilatory or nonexistent pace of efforts to slash the burden of Federal regulations. The issue of reducing the burden of Federal paperwork and regulations is a nonpartisan one.

Many Republicans heartily supported the Democratic House and Senate last year in enacting two major laws expressly designed to systematically attack our regulatory burden.

The Paperwork Reduction Act provides the administration with the tools it needs to bring the rampaging burden of Federal forms and data solicitations under control.

The Regulatory Flexibility Act, also passed last year, explicitly established the principle for all Federal rulemakers that rules and regulations for small business must be simple and less complex than rules for larger firms.

This notion of "two-tiering" Federal regulations is only an interim step to my mind, because we must move as quickly as we can to make all Federal regulations simple. This law acknowledged the particularly heavy burden which Federal regulations impose on smaller enterprises, which typically have fewer reserves, smaller profit margins, and less ability to pass on regulatory costs to customers than larger firms.

REGULATORY RELIEF AND THE RECESSION

Never was the need for quick action on regulatory relief greater than it is today. The deadly duo of high interest rates and recessions are stalking Main Street and rural America with a vengeance. Small business, farmers, and ranchers are truly becoming an endangered species as they are stretched tighter and tighter between excessive interest costs—far above the 17 percent prime rate—and weak demand.

Our farmers and ranchers face an additional burden as a result of weak commodity prices. Many are being pressed further and further into debt and face the terrible decision of either closing their doors or putting their personal assets, such as homes, up as collateral in hopes of weathering the recession.

The burden played by Federal paperwork and regulations in this drama is not a minor one. Yet, the Federal Government still has little idea of which regulations fall most heavily on our small businesses, farmers, and ranchers, much less what their actual burden is.

It is a tragically absurd situation. The Federal Government is pushing these key economic sectors into bankruptcy court. Yet, it has no idea why or how to prevent it.

My bill, the Regulatory Burden Reduction Act, is designed to tell "why" and "how," and get the Government off the backs of small business, farmers, and ranchers as quickly as possible. It will push small business, farmers, and ranchers to the front of the regulatory relief line. They will be the first group targeted for general regulatory reduction.

EXPLANATION OF BILL

The Regulatory Burden Reduction Act has two provisions.

First, it requires the President to estimate the cost of all major rules and paperwork requirements which are imposed by any Federal agency on farmers, ranchers, or small business. He is required to collect that data annually and provide it in a report to Congress no later than January 31 of each year.

After all the years of rhetoric and smoke, we still have no precise estimate of the impact of Federal regulation on our private sector, not to mention important sectors such as agriculture or small business.

In fact, the only estimate was presented to me by, then professor, Murray Weidenbaum before a hearing I chaired in 1979 of the Joint Economic Committee. He projected a regulatory burden then of \$100 billion. Professor Weidenbaum has become the chairman of the President's Council of Economic Advisers. But his old estimate is still the only one we have.

My bill will put an end to the mystery of regulatory burdens on farms, ranches, and small business. We will know each year what that burden is and will know which regulations account for that burden, as well.

My bill also requires the President to come up with estimates for the benefits of these regulations so that Congress can begin the hard task of improving the cost effectiveness of these regulations.

The second component of my bill requires each Federal agency head to reduce the burden of its major rules and paperwork requirements on farmers, ranchers, and small business by 25 percent over the next 2 fiscal years. This provision expands a provision of the Paperwork Reduction Act which mandates a similar slash in the burden of Federal paperwork by the end of fiscal year 1983.

My 25 percent burden reduction is a mandate for Federal agencies to get off their duffs and start the hard work of meeting regulatory objectives more efficiently. It will light a fire under their feet. They will have a clear and simple target and timetable for reducing regulations bedeviling farmers, ranchers, and small business.

My act sets forth a major challenge to Federal agencies. It is a challenge, however, which they must confront. And it is a challenge which I believe the Office of Management and Budget and the President will welcome, as well. It will put the full force of the law in their hands in dealing with the Federal tangle of redtape.

Let me close by noting, Mr. President, the excellent job done by the Senate Governmental Affairs and Senate Judiciary Committees in crafting the Regulatory Reform Act, S. 1080, soon to come before the Senate for floor action. They have been diligently drafting this bill to establish, once and for all, a regulatory reform, review, and reduction system for the Federal Government.

It will be a linchpin of our efforts to improve the cost effectiveness of Federal redtape and Senators LAXALT, ROTH, LEAHY, and EAGLETON have done an excellent job.

In addition, provisions by Senator DURENBERGER have insured that the task of identifying and reducing the entire Federal regulatory burden will be a key component of the Regulatory Reduction Act. And he deserves recognition and congratulations for that success.

I ask unanimous consent, Mr. President, for my bill, the Regulatory Burden Reduction Act, to be printed in the RECORD.

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

S. 1833

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Regulatory Burden Reduction Act."

SEC. 2. DEFINITIONS.

(A) For purposes of this Act—

(1) "agency" shall have the same meaning provided by section 551(1) of title 5, United States Code;

(2) "major rule"—

"(A) (1) means a rule or a group of closely related rules that the agency, or the President, reasonably determines is likely to have an annual effect on the economy of \$100,000,000 or more in direct or indirect enforcement and compliance costs;

"(1) but does not mean—

"(a) a rule of particular applicability that approves or prescribes for the future rates, wages, prices, services, or allowances therefor, corporate, or financial structures, reorganizations, mergers, or acquisitions thereof, or accounting practices or disclosures bearing on any of the foregoing, or a rule that involves the internal revenue laws of the United States; or

"(b) a rule that authorizes the introduction into commerce or recognizes the marketable status of a product or service that, pursuant to statute, could not lawfully be introduced into commerce or marketed in the absence of the rule; and

"(B) means a rule or a group of closely related rules that is otherwise designated a major rule by the agency proposing the rule, or is so designated by the President, on the ground that the proposed rule is likely to result in—

"(1) a substantial increase in costs or prices for wage earners, consumers, individual industries, nonprofit organizations, Federal, State, or local government agencies, or geographic regions;

"(2) significant adverse effects on competition, employment, investment, productivity, innovation, the environment, public health or safety, or the ability of enterprises whose principal places of business are in the United States to compete in domestic or export markets;

(3) "benefit" or "benefits" means the reasonably identifiable significant benefits and beneficial effects, including social and economic benefits and effects, expected to result directly or indirectly from implementation of a rule or an alternative to a rule;

(4) "compliance cost" means the reasonably identifiable significant costs and adverse effects, including social and economic costs and effects, expected to result directly or indirectly from implementation of a major rule or an alternative to a major rule;

(5) "small business" means a small business concern as defined by the Administrator of the Small Business Administration under section 2 of the Small Business Act (72 Stat. 384, as amended; 15 U.S.C. 632);

(6) "collection of data" means the obtaining or soliciting of facts or opinions by an agency through the use of written report forms, application forms, schedules, questionnaires, reporting or recordkeeping requirements, or other similar methods, calling for either—

"(A) answers to identical questions posed to, or identical reporting or recordkeeping requirements imposed on, ten or more persons, other than agencies, instrumentalities, or employees of the United States; or

"(B) answers to questions posed to agencies, instrumentalities, or employees of the United States which are to be used for general statistical purposes;

(7) "Independent regulatory agency" means the Board of Governors of the Federal Reserve System, the Civil Aeronautics Board, the Commodity Futures Trading Commission, the Consumer Product Safety Commission, the Federal Communications Commission, the Federal Deposit Insurance Corporation, the Federal Energy Regulatory Commission, the Federal Home Loan Bank Board, the Federal Maritime Commission, the Federal Trade Commission, the Interstate Commerce Commission, the Mine Enforcement Safety and Health Review Commission, the National Labor Relations Board, the Nuclear Regulatory Commission, the Occupational Safety and Health Review Commission, the Postal Rate Commission, the Securities and

Exchange Commission, and any other similar agency designated by statute as a Federal independent regulatory agency or commission;

SEC. 3. REDUCTION IN BURDEN OF REGULATION.

(A) By October 1, 1983, the head of each agency and independent regulatory agency shall reduce by 25 percent the compliance cost which existed on October 1, 1981, on small business, farms, and ranches of major rules and collection of data of that agency or independent regulatory agency.

(B) The President shall transmit to Congress by October 1, 1982, and October 1, 1983, a report on the progress made by each agency during the preceding fiscal year in carrying out subsection (A).

SEC. 4. REGULATORY BURDEN ANNUAL REPORT.

(A) Not later than January 31 of each year, the President shall transmit to Congress a report. The report shall include an estimate of the benefits and compliance cost on small business, farms, and ranches of major rules and collection of data—

(1) issued or in effect during the preceding calendar year; and

(2) which will be in effect during the current calendar year;

(B) The report issued pursuant to subsection (A) shall include benefit and compliance cost estimates for each agency and for each independent regulatory agency.●

By Mr. MOYNIHAN (for himself and Mr. DURENBERGER):

S. 1834. A bill to amend the Internal Revenue Code of 1954 to provide that a dividend paid by a corporation directly to certain charitable organizations at the direction of a shareholder shall be treated as a charitable contribution of the corporation, and to exclude such dividend from the income of such shareholder; to the Committee on Finance.

SHAREHOLDER DIVIDENDS PAID TO CHARITABLE ORGANIZATIONS

Mr. MOYNIHAN. Mr. President, I am introducing a bill today that should lead to an increase in corporate contributions to charity. The idea for the bill came from Robert Sproull, the president of the University of Rochester. Mr. Sproull calls it "a modest proposal for efficient charitable giving." But it is nothing of the kind. It is an ambitious and imaginative plan to give every shareholder in a corporation an incentive to donate one or more dividends a year to charity, and for the corporation to match the dividends with an additional contribution of its own.

The president called recently on Americans to embrace a spirit of voluntarism, to make up for the loss of Federal support for education, medical research, job training and other basic programs. Voluntarism will help. But the missing Federal support will be replaced only if our public policies also foster and stimulate philanthropy. Charitable giving, as a percentage of personal income, declined from 1.99 percent in 1970 to 1.84 percent in 1980. As each one-hundredth of 1 percent of personal income is equal to approximately \$200 million, this decline means that annual giving is now almost \$3 billion less than it would be if the level of giving of just a decade ago had been maintained.

The bill amends the Federal Tax Code. Any shareholder in a corporation would be free to direct the corporation to pay one or more of his quarterly dividends

each year to a section 501(c)(3) organization. The organization could be the Salvation Army, the United Way, a local public television station, or a private college or university. The list is practically endless. However, the corporation could restrict the option in any way it chooses. For example, it could require that dividends go only to the local muscular dystrophy campaign.

A shareholder who forgoes a dividend would not be considered to have constructively received the dividend. He would not pay taxes on it.

Meanwhile, the charity would receive not only the dividend, but also the Federal taxes that the corporation paid on the earnings that produced the dividend. Suppose the dividend is \$1 and the corporation is in the 46 percent tax bracket. How much does the charity receive? The question to ask is how much did the corporation have to have in pretax earnings to produce a dividend—after taxes—of \$1. The answer is \$1.85. One divides the dividend by 1 minus the corporation's marginal tax rate. In the example, the fraction is $\$1/(1-.46)$.

The bill seems needlessly complicated in at least one place. Instead of using the simple phrase "marginal tax rate" as I have—a corporation divides the dividend by 1 minus its marginal tax rate—the bill says "the rate of tax for the highest rate bracket under section 11(b) which is applicable to the taxable income of the corporation (determined without regard to any payment described in paragraph (1)(B))." There is a reason for this. Since the corporation would be allowed a tax deduction each time it pays a dividend to charity, its tax bracket could change. Thus, the question arises: What marginal tax rate should the corporation plug into the formula? The answer is it should use the marginal rate it would have used had no shareholder turned back a dividend.

Another point: A corporation that makes a contribution of \$1.85 to charity would receive a tax deduction for \$1.85. So, in effect what the bill does is allow a corporation to make a charitable contribution from its pre-tax earnings.

Finally, any charity that owns stock in a corporation would not be deemed to have received taxable, unrelated income if it forgoes a dividend and takes a contribution from the corporation, instead. Under current law, a charity is taxed on income it receives from business enterprises that are unrelated to the charity's exempt purpose.

Mr. President, I ask unanimous consent that two items be printed in the RECORD: the bill and an article by Robert Sproull from the Wall Street Journal.

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

S. 1834

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

SECTION 1. DIVIDENDS PAID DIRECTLY TO CERTAIN CHARITABLE ORGANIZATIONS AT THE DIRECTION OF A SHAREHOLDER.

(a) TREATMENT OF CERTAIN DIVIDENDS AS CHARITABLE CONTRIBUTIONS OF THE CORPORA-

TION.—Section 170 of the Internal Revenue Code of 1954 (relating to charitable contributions and gifts) is amended by redesignating subsections (j) and (k) as subsections (k) and (l), respectively, and inserting after subsection (l) the following new subsection:

"(j) DIVIDEND PAYMENTS.—

"(1) IN GENERAL.—If—

"(A) a shareholder to whom a dividend is payable directs the corporation to pay such dividend to an organization described in section 501(c)(3), and

"(B) in lieu of paying such dividend to such shareholder, the corporation pays the qualified contribution amount directly to such organization,

then an amount equal to the qualified contribution amount shall be treated, for purposes of subsection (a), as a charitable contribution of the corporation paid during the taxable year in which the dividend is declared.

"(2) QUALIFIED CONTRIBUTION AMOUNT DEFINED.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified contribution amount' means, with respect to a dividend of a corporation, an amount equal to—

"(1) the amount of such dividend, divided by

"(ii) the qualified rate applicable to such corporation.

"(B) QUALIFIED RATE.—For purposes of this paragraph, the term 'qualified rate' means the excess of—

"(1), over

"(ii) the rate of tax for the highest rate bracket under section 11(b) which is applicable to the taxable income of the corporation (determined without regard to any payment described in paragraph (1)(B)).

"(3) CONTRIBUTION OF TAX REDUCTION.—No amount other than the qualified contribution amount shall be taken into account under subsection (a) as a charitable contribution of the corporation with respect to any portion of the payment described in paragraph (1)(B).

"(4) CONTRIBUTION OF SHAREHOLDER.—Neither the amount of the dividend described in paragraph (1)(A) nor any portion of the payment described in paragraph (1)(B) shall be treated, for purposes of subsection (a), as a charitable contribution of the shareholder to whom such dividend was payable."

(b) EXCLUSION OF DIVIDENDS PAID DIRECTLY TO A CHARITABLE ORGANIZATION FROM THE INCOME OF THE SHAREHOLDER.—

(1) IN GENERAL.—Part III of subchapter B of chapter 1 of such Code (relating to items specifically excluded from gross income) is amended by redesignating section 130 as section 131 and inserting after section 129 the following new section:

"Sec. 130. DIVIDENDS PAID DIRECTLY TO CERTAIN CHARITABLE ORGANIZATIONS.

"The gross income of a shareholder does not include the amount of any dividend payable to such shareholder if, at the direction of such shareholder, the corporation pays the qualified contribution amount (within the meaning of section 170(j)(3)) to an organization described in section 501(c)(3)."

(2) CONFORMING AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 of such Code is amended by striking out the item relating to section 130 and inserting in lieu thereof the following:

"Sec. 130. Dividends paid directly to certain charitable organizations.

"Sec. 131. Cross references to other Acts."

SEC. 2. EFFECTIVE DATE.

The amendments made by this Act shall apply to taxable years beginning after December 31, 1981.

[From the Wall Street Journal, March 4, 1981]

A MODEST PROPOSAL FOR EFFICIENT CHARITABLE GIVING

(By Robert L. Sproull)

Voluntary support of America's service institutions is needed now more than ever before: The United Ways and churches, the art galleries and orchestras, the colleges and universities all require additional support to maintain the quality of their programs. Most see it hard for federal dollars. But the tortuous and inefficient route of federal taxation, legislative action, program management, proposal writing, waiting and (for the lucky) auditing is increasingly frustrating. Direct, voluntary support of charitable institutions by individuals, foundations and corporations is thus much in the public interest and is appropriately recognized as such by the tax laws.

Individuals and foundations, however generous spirited, cannot do the job alone. For example, although a decade ago foundations gave to higher education twice as much each year as corporations, in 1979 corporation giving exceeded that of foundations. I need not dwell on the limitations experienced by individuals, who find it difficult enough to save, much less to give. And one of the damaging results of the difficulty of saving is that very few new foundations are being created from individuals' lifetime savings. Corporations thus play a central role.

Giving by corporations is even more efficient than giving by individuals in one limited but very interesting sense. Most individuals who give substantial amounts to charitable groups also own common stock in corporations. The corporations can use pre-tax dollars for giving, and the individual gives before his personal income tax. But for the individual with appreciable income from common stock dividends, he is in effect doing his giving after the corporation income tax has been taken out. Direct-corporate giving is thus more efficient.

This line of argument suggests a more efficient combination of the corporate and shareholder giving, an extension of the employee matching-gift concept. Suppose I am a shareholder who receives several hundred dollars a year in dividends from Xerox Corp. and suppose I have been giving \$100 a year to the University of Rochester (to pick an institution at random). Suppose I were given instead the option of requesting Xerox to pay me \$100 less in dividends and asking Xerox to write a check to the university for \$200. How do we stand?

First, me: If I itemized deductions on my income tax, I am left exactly as before; if I do not itemize, I am a little ahead. Second, Xerox: They have paid \$100 less to me, \$100 less to the IRS (for simplicity I assume a 50 percent tax rate level) and \$200 more to the university; they are left exactly as before. The big difference is that my gift is having twice as much effect to produce quality education at the university (obviously at the expense of the IRS and its circuitous route to make things happen).

Of course this procedure could be "trimmed up" to use actual tax rates. It could be limited in any way the corporation chose, but limiting to one quarterly dividend per year would assure in most corporations that their giving did not exceed the 5 percent maximum. Further, limiting each shareholder to use of only a full quarterly dividend and only one charitable "target" each year would minimize paperwork (which in any case should be less than the dividend re-investment options offered by many corporations).

This proposal seems to fly in the face of IRS rules and possibly of SEC rules, but it is not obvious why it should. (I realize, of course, that logic is not a good guide in this dark forest.) When corporations offer to their

employees the privilege of having their charitable gifts matched by pre-tax corporate gifts, the latter are not called "constructive receipt of income." The employees in effect constitute an invisible committee which directs some of the corporation's giving. As a committee, they have two enormous advantages over most committees: 1) they never meet; 2) their votes are proportional to their own willingness to be generous and are not responsive to the gooey rhetoric that moves the usual committee.

This proposal merely extends to shareholders the privileges already granted to employees by those corporations with matching gift programs. The invisible committee of shareholders could be expected to be at least as wise and as pure in the eyes of the IRS as employees. There is no gain to the shareholder from the dividend he did not receive any more than there is to the employee who directs the corporate matching gift.

Since it costs the corporation nothing (except the paperwork), shareholders who do not choose to use the option are in no way disadvantaged. There might even be two amiable side effects. First, this form of shareholder participation is, in a small way, a contribution to "corporate democracy," with only beneficial results, unlike the mischievous "ego trips" of holders of handfuls of shares who sometimes dominate annual meetings in the name of "corporate democracy." Second, since there are large numbers of shareholders who wish "to make things happen" in charitable institutions, offering this option to its shareholders ought, at least in a small way, to enhance the price of a corporation's stock.

This proposal seems to fit squarely within the spirit of tax and securities legislation: No individual or corporation receives any untaxed benefit; the only gain is to 501(c)3 organizations, and it is acknowledged public policy that tax rules should benefit them. All shareholders are treated alike.

Nevertheless, the accountants I have consulted believe that under the Internal Revenue Code, specifically Section 61, the shareholder would be taxed on the dividend he did not receive. Sections 101 through 128 of the Code already include many exceptions to Section 61, presumably all for worthy purposes. I should like to urge an additional exception for this proposal to make corporate giving more efficient.

By Mr. MOYNIHAN:

S. 1836. A bill to remove the limitations on the authority of the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation to borrow from the Treasury; to the Committee on Banking, Housing, and Urban Affairs.

DEPARTMENT OF TREASURY LOAN AUTHORITY

Mr. MOYNIHAN. Mr. President, I am introducing a bill today to allow the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation to borrow, without limit, from the Federal Treasury.

The FDIC has \$12.1 billion in its insurance fund, and the ability to borrow another \$3 billion from the Federal Government. The FSLIC fund is smaller: only \$6.8 billion, with \$750 million in borrowing authority.

Both insurance funds are ably managed, and should be adequate to handle a string of bank failures or even a worse emergency. Nevertheless, the size of the funds in relation to total deposits does not inspire public confidence. Consider these statistics: There are 3,800 savings and loan associations in the United States, with roughly \$465 billion in in-

sured deposits. Four in five are losing money. At least 1 in 20 is reported to be on a danger list kept by Richard Pratt, the Chairman of the Federal Home Loan Bank Board. That proportion could represent as much as \$23 billion in deposits—more than three times the value of the FSLIC insurance fund.

Meanwhile, the FDIC insures deposits of \$948.7 billion. Between 15 and 16 percent, or over \$140 billion, are deposits with mutual savings banks, which have invested heavily over the years in residential mortgages and which have the same problems as savings and loan associations. The FDIC insurance fund is worth only \$15 billion, including what the agency can borrow from the Treasury.

Obviously, these figures exaggerate the danger to the public. The Greenwich Saving Bank, which came close to filing last week, was a huge bank, with over \$2 billion in deposits, but the loss to the FDIC was only \$185 million. That is what the agency paid to induce two other savings banks to merge with the Greenwich.

But it is the perception of the public that matters. The law says the FDIC and the FSLIC shall reimburse depositors—up to \$100,000 per account—whenever an insured bank or savings association closes because of insolvency. The law does not say what happens if the insurance funds run out of cash. There is no reason why we should let this worry anyone. My bill merely makes clear that the full faith and credit of the Federal Government stands behind our promise to insure bank accounts.

I ask unanimous consent that the bill be printed in the Record.

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

S. 1836

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 14 of the Federal Deposit Insurance Act (12 U.S.C. 1824) is amended by striking out "not exceeding in the aggregate \$3,000,000,000 outstanding at any one time".

(b) Section 402(1) of the National Housing Act (12 U.S.C. 1725(1)) is amended by striking out "not exceeding in the aggregate \$750,000,000 outstanding at any one time".

By Mr. HAYAKAWA (for himself, Mr. DOLE, Mr. EAST, Mr. INOUE, Mr. KENNEDY, Mr. SARBANES, Mr. HUDDLESTON, Mr. MOYNIHAN, Mr. BRADLEY, Mr. DOMENICI, Mr. GOLDWATER, Mr. QUAYLE, Mr. SASSER, Mr. WARNER, Mr. MELCHER, Mr. EASTON, Mr. EXON, Mr. PERCY, Mr. SCHMITT, Mr. LEVIN, Mr. LONG, Mr. FORD, Mr. DENTON, Mr. RIEGLE, Mr. MURKOWSKI, Mr. DURENBERGER, Mr. ARMSTRONG, Mr. LUGAR, Mr. ANDREWS, Mr. TOWER, Mr. BAUCUS, and Mr. WALLOP):

S.J. Res. 123. Joint resolution authorizing and requesting the President to proclaim "National Disabled Veterans Week"; to the Committee on the Judiciary.

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

By Mr. DANFORTH (for himself, Mr. BAUCUS, Mr. MOYNIHAN, Mr. DECONCINI, Mr. SARBANES, Mr. HAYAKAWA, Mr. BRADLEY, Mr. KASTEN, Mr. HUDDLESTON, Mr. STEVENS, Mr. KENNEDY, Mr. EAGLETON, Mrs. KASSEBAUM, Mr. RANDOLPH, Mr. TSONGAS, Mr. LEVIN, Mr. SASSER, Mr. STENNIS, Mr. GARN, Mr. DIXON, Mr. DOMENICI, Mr. FORD, Mr. SYMMS, Mr. NICKLES, Mr. ROTH, Mr. HUMPHREY, Mr. BENTSEN, Mr. HEINZ, Mr. DOLE, Mr. MELCHER, Mr. BOREN, Mr. MURKOWSKI, Mr. COHEN, Mr. JOHNSTON, and Mr. MATHIAS):

S.J. Res. 124. Joint resolution authorizing and directing the President to provide for the playing of taps at the Vietnam Veterans Memorial, Washington, D.C.; to the Committee on Armed Services.

PLAYING OF TAPS AT VIETNAM VETERANS MEMORIAL

● Mr. DANFORTH. Mr. President, tomorrow is Veterans Day. In September, a memorial was dedicated in South Boston, Mass., to the Sons of South Boston who died serving their country in Vietnam. An inscription on the memorial reads, "If you forget my death, then I died in vain."

Mr. President, it is important that we not forget the sacrifice of the more than 57,000 Americans who died in the Vietnam war.

In 1980, Congress authorized the construction of a memorial in honor and recognition of the men and women of the United States who served in Vietnam. Since that time a memorial design has been chosen, and efforts are underway to raise the funds needed to build the memorial. All of the funds to construct the memorial will be provided by private donors. The yeoman's work of raising these funds is being carried out by the Vietnam Veterans Memorial Fund, under the leadership of Jan Scruggs, who spearheaded the effort to establish the memorial. The memorial will be constructed in Constitution Gardens, near the Lincoln Memorial, and will bear the name of each of the 57,661 Americans—1,394 of them from my home State of Missouri—who died in the Vietnam war.

Today, together with several of my colleagues, I am introducing a joint resolution authorizing and directing the President to provide for the playing of taps at the Vietnam Veterans Memorial each evening at sunset, forever.

The suggestion that taps be played at the memorial was first brought to my attention some time ago in a letter to the editor of the Washington Star. That letter, written by two Vietnam veterans—Van Davidson, Jr., and Clarence D. Long III—eloquently argued for the playing of taps at the memorial. The ceremony, they said, would represent an important effort by the American people to help their sons rest in peace. It will. And it will do more than that.

Mr. President, there are times when words fail us in our efforts to speak of things that touch us deeply. In such

times, music can speak for us. Each evening, at sunset, let this simple ceremony speak for us. And let us remember.

Mr. President, I ask unanimous consent that the letter written by Mr. Davidson and Mr. Long be printed in the RECORD.

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

[From the Washington Star, Apr. 25, 1981]

THE BUGLE CALL THAT SAYS IT ALL

As contributors to the Vietnam Veterans Memorial fund to construct on the Mall a monument that will "recognize and honor those who served and died [and that] will provide a symbol of acknowledgement of the courage, sacrifice and devotion to duty of those who were among the nation's finest youth," it is our opinion that somewhere on this monument should appear the words, "obedient to our laws," with reference to the sacrifice that these Americans made.

In 490 B.C. some 300 Spartans and others led by King Leonidas fought to the death, although greatly outnumbered by the Persians, at a pass named Thermopylae in Greece. To commemorate the sacrifice of Leonidas and his men, upon a monument there is inscribed Simonides' immortal quote: "Go tell the Spartans, thou who passest by, that here, obedient to their laws, we lie."

John Ruskin, the famous 19th century English critic and social theorist called this epitaph "... the noblest group of words uttered by man."

In a speech delivered at Memorial Day, 1895, to the graduating class at Harvard University, Justice Oliver Wendell Holmes said:

"The faith is true and adorable which bids a soldier to throw away his life in obedience to a blindly accepted duty, in a cause which he little understands, in a plan of campaign of which he has no notion, under tactics of which he does not see the use."

The "blindly accepted duty" Justice Holmes was referring to is the result of the nation's laws enacted to prosecute the war. While on its face the statement appears to worship militarism, it does not. As Justice Holmes well knew—for he had been three times wounded as a Union officer in the Civil War—that statement is only a recognition of the reality of things as they always are for soldiers of our country in any war.

In the Vietnam war, 57,661 Americans died obedient to their nation's call to arms. It is this obedience that makes it possible for the nation to organize its manpower for the common defense. It is this obedience that is the guardian of the nation in time of danger. It makes our civilization possible and insures the nation's survival. It is for this obedience to our laws that 57,661 of America's sons are to be remembered.

The memorial will be a symbol of man's destiny and power for duty which led these brave Americans (to quote Mr. Holmes again) "to toss life and hope like a flower before the feet of their country and its cause." This is why the phrase "obedient to our laws" should be inscribed in stone on any memorial built to honor America's sons who died in the Vietnam war.

It is our opinion that President Reagan, as commander-in-chief, should order that the bugle call "Taps" be played at the memorial by an American soldier every day at dusk—forever. This simple ceremony will represent an effort by the American people to help their 57,661 sons rest in peace.

There is precedent for this suggested ceremony. The British built a memorial to their missing in action at the Ypres salient of World War I. Inscribed on the monument are the names of 55,000 missing men. To this day, a bugler blows "Taps" there every evening.—Van M. Davidson, Jr. and Clarence D. Long III.●

ADDITIONAL COSPONSORS

S. 569

At the request of Mr. JEPSEN, the Senator from Kentucky (Mr. HUDDLESTON) was added as a cosponsor of S. 569, a bill to amend the Internal Revenue Code of 1954 to provide an investment tax credit for certain soil and water conservation expenditures.

S. 1215

At the request of Mr. KASTEN, the Senator from North Carolina (Mr. HELMS), and the Senator from Minnesota (Mr. BOSCHWITZ) were added as cosponsors of S. 1215, a bill to clarify the circumstances under which territorial provisions in licenses to distribute and sell trademarked malt beverage products are lawful under the antitrust laws.

S. 1693

At the request of Mr. KASTEN, the Senator from California (Mr. CRANSTON), the Senator from Illinois (Mr. DIXON), the Senator from Indiana (Mr. LUGAR), the Senator from New Mexico (Mr. SCHMITT), the Senator from New Jersey (Mr. WILLIAMS), and the Senator from North Dakota (Mr. BURDICK) were added as cosponsors of S. 1693, a bill to provide for the issuance of a special stamp to commemorate the 200th anniversary of the presence of the bald eagle on the official seal of the United States of America.

SENATE RESOLUTION 209

At the request of Mr. JEPSEN, the Senator from Montana (Mr. MELCHER), the Senator from North Carolina (Mr. HELMS), the Senator from Idaho (Mr. SYMMS), the Senator from Indiana (Mr. LUGAR), the Senator from Oregon (Mr. HATFIELD), the Senator from Arizona (Mr. GOLDWATER), the Senator from Wisconsin (Mr. KASTEN), the Senator from Indiana (Mr. QUAYLE), the Senator from Iowa (Mr. GRASSLEY), and the Senator from Florida (Mrs. HAWKINS) were added as cosponsors of Senate Resolution 209, a resolution expressing the sense of the Senate that the President of the United States, the U.S. Senate, and the Senate Committee on Banking, Housing, and Urban Affairs should pay careful deference to the specific provisions of the Federal Reserve Act, requiring broad regional and economic representation on the Board of Governors of the Federal Reserve System, in their consideration of nominees to the Board.

SENATE RESOLUTION 238

At the request of Mr. BENTSEN, the Senator from Virginia (Mr. HARRY F. BYRD, JR.), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Utah (Mr. GARN), and the Senator from Kentucky (Mr. FORD) were added as cosponsors of Senate Resolution 238, a resolution to retain the deductibility from personal taxes of interest paid on residential mortgages.

SENATE CONCURRENT RESOLUTION 47—CONCURRENT RESOLUTION WITH RESPECT TO THE IMPRISONMENT OF ALEXANDER PARTISKY AND HIS FAMILY

Mr. TSONGAS submitted the following concurrent resolution; which was

referred to the Committee on Foreign Relations:

S. CON. RES. 47

Whereas, the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights guarantee to all citizens the rights to freedom of religion, the right to hold opinions without interference, the right to freedom of expression, and the right to emigrate;

Whereas the Final Act of the Conference on Security and Cooperation in Europe commits the signatory nations to respect individual rights and freedom, specifically the right to immigrate to the country of one's choice to rejoin their relatives;

Whereas the Soviet Union has signed the Final Act of the Conference on Security and Cooperation in Europe, is a party to the Universal Declaration of Human Rights, and has ratified the International Covenant on Civil and Political Rights;

Whereas Alexander Paritsky and his family first applied to emigrate from the Soviet Union in 1976 and have been repeatedly denied permission;

Whereas Alexander Paritsky was dismissed from his position as a scientist at the Kharkov Institute for Metrology in 1977 as a direct result of requesting permission to emigrate;

Whereas Alexander Paritsky and his family have been continually harassed by Soviet authorities as a result of his involvement in the Kharkov Jewish University;

Whereas Soviet officials have confiscated numerous books, letters, and medicines from the Paritskys' apartment;

Whereas Soviet officials have published slanderous articles in the Kharkov press accusing Alexander Paritsky of black marketeering and racism;

Whereas Dorina Paritsky, aged fifteen, has been harshly interrogated by Soviet investigators at her school and told to denounce her family;

Whereas Paulina Paritsky has been threatened with arrest and informed that she will lose custody of her two daughters;

Whereas Alexander Paritsky was arrested on August 28 and charged with anti-Soviet agitation and propaganda;

Whereas Alexander Paritsky is scheduled to be tried by Soviet officials on November 11th and has been denied the legal counsel of his choice; and

Whereas Paulina Paritsky was forcefully prevented from obtaining an independent lawyer for her husband: Now, therefore, be it Resolved by the Senate (the House of Representatives concurring), That it is the sense of the Congress that the President, acting directly or through the Secretary of State, should—

(1) continue to express at every suitable opportunity and in the strongest terms the opposition of the United States Government to the imprisonment of Alexander Paritsky;

(2) urge the Government of the Soviet Union to—

(A) release Alexander Paritsky from prison,

(B) halt all further harassment of Alexander Paritsky and his family, and

(C) permit Alexander, Paulina, Dorina, and Anna Paritsky to emigrate to Israel to join their relatives, in accordance with the Final Act of the Conference on Security and Cooperation in Europe, the Universal Declaration of Human Rights, and the International Covenant on Civil and Political Rights; and

(3) inform the Government of the Soviet Union that the Government of the United States, in evaluating its relations with other countries, will take into account the extent to which such countries honor their commitments under international law, especially commitments with respect to the protection of human rights.

Sec. 2. The Secretary of the Senate shall transmit a copy of this concurrent resolution to the President with the request that he further transmit such copy to the Ambassador of the Union of Soviet Socialist Republics to the United States.

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

SENATE CONCURRENT RESOLUTION 48—CONCURRENT RESOLUTION DISAPPROVING THE PROPOSED SALE TO PAKISTAN OF F-16 AIRCRAFT

Mr. HATFIELD (for himself and Mr. MOYNIHAN) submitted the following concurrent resolution, which was referred to the Committee on Foreign Relations:

S. CON. RES. 48

Resolved by the Senate (the House of Representatives concurring), That pursuant to section 36(b) of the Arms Export Control Act, the Congress objects to the proposed sale to Pakistan of F-16 aircraft together with related defense articles and defense services, such proposed sale being described in the certification submitted to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate on October 23, 1981 (transmittal numbered 81-108).

SENATE RESOLUTION 242—RESOLUTION REGARDING SALT II

Mr. HART submitted the following resolution, which was referred to the Committee on Foreign Relations:

S. RES. 242

Whereas, it is in the national security interests of the United States to limit the size of the Soviet nuclear threat through arms control agreements, and

Whereas, both the United States and the Soviet Union have adhered to the provisions of SALT II since it was negotiated and signed, and

Whereas, General Rowny, chief arms control negotiator for the United States testified before the Senate Armed Services Committee on behalf of the Administration that "we ought to take no steps inconsistent with the terms of the treaty so long as the Soviets take no steps and so long as our national security does not require that we take such other steps,"

Therefore, be it resolved, that it is the sense of the Senate that the United States shall continue to take no steps inconsistent with the terms of the SALT II treaty so long as the Soviet Union also continues to take no steps inconsistent with the treaty.

● Mr. HART. Mr. President, the resolution I am submitting today will demonstrate the Senate's support for what I believe to be the administration's position on continued adherence to the provisions of the SALT II treaty. Although SALT II has not been ratified, the United States and the Soviet Union adhere to its provisions. My resolution simply expresses the sense of the Senate that the United States shall continue to take no steps inconsistent with the terms of the SALT II treaty so long as the Soviet Union does likewise. When General Rowny, chief U.S. arms control negotiator testified before the Armed Services Committee he stated:

We ought to take no steps inconsistent with the terms of the treaty so long as the Soviets take no steps and so long as our

national security does not require that we take such other steps.

Mr. President it is vital to the national security interests of the United States that we limit the size of the Soviet nuclear threat through arms control agreements. Continued United States-Soviet adherence to the SALT II treaty benefits our national security in the following ways:

It limits the size of the Soviet nuclear threat. By 1985 the Russians will have the technical capacity to increase vastly their nuclear arsenal. They will be able to more than double the number of silo-killer warheads that SALT II would have permitted, deploy additional heavy missiles, and nearly double their arsenal of land-based missiles with multiwarheads. Regardless of whether the limits 2 years ago were adequate, right now we are living without any legal limits whatsoever. It strengthens our national security for the Soviets to respect the negotiated limits. If they do, we should also.

It would provide greater ability to focus our resources on conventional forces. If we embark on an uncontrolled nuclear buildup, pressures on the Soviets to do the same would be enormous. An administration so aware of Soviet expansionism should be alert to the dangers of an uncontrolled nuclear arms race. It would divert both our attention and our resources from the conventional forces we and our allies need to discourage Soviet adventurism. It is in our national security interest for the Russians not to embark on a nuclear arms buildup which would violate the provisions of SALT II. If the Soviets continue to abide by those provisions we should also.

I, and many others in the Senate, have called on President Reagan to begin arms control talks with the Soviets forthwith. The only way to achieve limitations on the Soviet nuclear threat is by entering into negotiations. We gain no additional security by waiting; we lose nothing by negotiating. Before the talks begin, however, and while they continue, it is essential that both sides avoid any unnecessary nuclear arms escalation, which either might regret once an agreement is negotiated. For this reason I urge the Senate to go on record in favor of the United States continuing to take no steps inconsistent with the terms of the SALT II treaty so long as the Soviets also continue to take no steps inconsistent with SALT II. ●

AMENDMENTS SUBMITTED FOR PRINTING

AUTHORIZATION OF APPROPRIATIONS FOR EXPORT ADMINISTRATION

AMENDMENT NO. 628

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

Mr. ROBERT C. BYRD submitted an amendment intended to be proposed by him to the bill (S. 1112) to authorize appropriations for the fiscal years 1982 and 1983 to carry out the purposes of the Export Administration Act of 1979, and for other purposes.

NOTICES OF HEARINGS

SUBCOMMITTEE ON FEDERAL EXPENDITURES,
RESEARCH, AND RULES

Mr. DANFORTH. Mr. President, on Thursday, December 3, 1981, the Subcommittee on Federal Expenditures, Research, and Rules will hold a hearing to consider the draft proposal for a uniform procurement system submitted to the Congress on October 29 by the Office of Federal Procurement Policy, pursuant to Public Law 96-83. The hearing will begin at 10 a.m. in room 3302 of the Dirksen Senate Office Building. The hearing was previously scheduled for December 1.

ADDITIONAL STATEMENTS

A SALUTE TO VETERANS

● Mr. BAUCUS. Mr. President, tomorrow, November 11, has been set apart so that we may remember and honor those men and women who gave service, and too often their lives, in the Armed Forces of our Nation. Many made enormous personal sacrifice and many suffered injuries that will disable them for the rest of their lives. All of us owe much to them, and it is with humility and great admiration that I extend my personal gratitude and this tribute to them.

A resolution will be enacted to declare the week of November 7 through November 13, 1982 as "National Disabled Veterans Week." I am honored to cosponsor this as a small expression of my appreciation.

In addition to this type of recognition, I believe that real, concrete steps must be taken to assist our veterans in meeting a number of their very serious problems which have been ignored far too long. I am encouraged that the 97th Congress has taken steps in this direction.

For example, medical evidence indicates a link between many health problems and dioxin, a toxin in agent orange, a defoliant used in Vietnam. Other problems are thought to have been initiated by exposure to nuclear weaponry test radiation.

I am honored to report that the 97th Congress has overwhelmingly supported legislation which provides health care eligibility and outpatient care priority to veterans for disabilities linked to their exposure to dioxin and other toxic substances found in herbicides and defoliants, as well as nuclear weapons test radiation.

This is not all.

A study commissioned by the Veterans' Administration found that many of the psychological difficulties experienced by veterans begin for the first time 10 or more years after a combat tour. Recognition of these problems, referred to as "delayed stress syndrome," resulted in the establishment of readjustment counseling or Vietnam veteran Outreach centers. The obvious value of these centers prompted the VA to increase their number by almost 50 percent in July of this year. Despite this, several factors—the reluctance of veterans to use the centers, program funds for centers diverted to other sources, and delays in establishing

centers—contributed to lessening their potential effectiveness.

As a result, Congress, recognizing that continuity and stability of the readjustment counseling service is essential to the program's effectiveness, voted unanimously in favor of an amendment which extends for 3 years, until September 1984, the period during which Vietnam era veterans are eligible for readjustment counseling and related mental health services. It also provided for appropriate transition into VA health care facilities of the readjustment counseling program during its last year.

These are but two of many actions taken on behalf of our veterans so far this Congress. They demonstrate the Nation's desire to serve veterans despite the prevailing mood to consolidate and simplify Federal spending programs.

It is important that we continue to demonstrate our gratitude and care to these most deserving men for their brave and selfless service to our country, not only on Veterans Day but on all days. For this reason it is essential that we maintain and improve the various programs and services available to them. This is the least we can do to thank them for their sacrifices.●

VETERANS DAY

● Mr. CHILES. Mr. President, Wednesday, November 11, has been set aside as a day to pause and reflect on the extreme sacrifices made on behalf of our country by a special group of individuals—those men and women who have served in our Armed Forces. Veterans Day stirs special thoughts and memories in each of us. The ceremonies performed throughout the country tomorrow will prompt patriotic feelings, feelings which will call to mind past challenges to our democratic freedoms and will reinforce our commitment to continue the cause of American liberty.

Our Nation's flag has forever been a symbol of what is meant by Americanism. Recently, an article on our country's flag written by an American Legion member in my State was brought to my attention. I find these words especially meaningful as we approach Veterans Day and, for this reason, I wish to share it with my colleagues in the Senate. I submit this article for the RECORD.

The article follows:

HOW MUCH DOES OUR FLAG COST?

(By Walter J. Kaiser, Americanism Chairman, American Legion Post 79, New Port Richey, Fla.)

In January 1981, President Reagan and the people of this free Nation, welcomed home Fifty Two freed men and women who were held hostage in Iran for Four Hundred and Forty Four days. At the end of the White House ceremonies, the President presented each freed hostage with a replica of the Flag of the United States of America, and he told them it was a symbol. I am now going to try to leave you with an impression of that symbol, and of Our Flag, which I hope will remain in your hearts and in your memories for a long time to come.

During our many American Flag campaigns, there is always one question that seems to be outstanding, and that question is, "How much does Our Flag cost?" I have always answered that question in terms of dollars and cents, but that answer never re-

flects the real price, the true price, that so many Americans, and too many Americans have paid for Our Flag. I believe that if we want to find out the real answer to that question, we will have to go back many, many years, to many, many wars, to many, many battlefields. Back there, on those blood-stained battlefields, we could ask the crippled, the blind, the dying and the dead. Yes, we could ask them "How much did Our Flag cost you?" Back there we could ask the Patriots at the Boston Tea Party, the Minutemen at Concord, the frost-bitten soldiers at Valley Forge, and the weary and the hungry fighting at Gettysburg. Back there we could ask all the great Presidents, and all the great Generals, who constantly saw through tear-dimmed eyes, ever present death and destruction. I am very sure that they could tell us how much Our Flag cost.

We could ask the heroes at Chateau Thierry and Verdun, the gallant sailors, buried on the Arizona at Pearl Harbor, the Marines at Iwo Jima and Guadalcanal, the stretcher bearers at bloody Anzio beach-head. We could ask all those who landed at Normandy, and those who fought in the Battle of the Bulge. They should be able to tell us how much Our Flag cost.

We could probably find the answer right here in these United States. We could visit the numerous Veterans Hospitals, and there we could ask the thousands of disabled veterans, who lay on their sick beds. There we could ask the armless, the legless, the mentally ill, the diseased and the shell-shocked. Yes, we could ask them, but I don't think we would have to, for there we would surely see the price they paid for Our Flag.

We might be able to find the answer right in our own hometown, perhaps on the street where we live. We could ask the Gold-star mothers who lost their only sons, the wives who lost their husbands, the children who lost their fathers, or perhaps their brothers, and we could ask all those who lost their sweethearts. I know that we wouldn't ask, but if we were to ask I am sure they would say they paid for Our Flag with loneliness and sorrow; heartache and tears; sacrifice and suffering; heartbreak and despair.

Today and everyday, as you see Our Flag waving ever so proudly in the breeze, try to give it a long lingering look, and deep in your hearts try to realize just what it symbolizes. The White and the Red stripes symbolize the purity of purpose for which our comrades shed their blood. The White Stars in the field of Blue symbolize that the heights of pure democracy can reach to the very stars in the heavens.

Our Flag could be made from a flimsy piece of printed cotton, or it could be made into a banner of the most beautiful silk. The intrinsic value could be very small, or it could be very great, but its real value, its true value, is the precious symbol we all work for, the precious symbol we all live for, and the precious symbol for which someday, some of us may die for, it is the symbol of a free Nation, of free man, true to the faiths of the past, and dedicated to the principles of Justice, Freedom and Democracy.

For just one moment let us bow our heads, and in the concept of our own belief, say a silent prayer, thanking God that the colors of the Flag are still Red, White and Blue, and pray that the men and women, who are now serving in the Armed Forces stationed all over this world, will do everything they can to keep it that way.

Forever in our hearts, let us pay tribute to those brave comrades, who paid for Our Flag with their lives.●

MOST RECENT ADMINISTRATION DISCUSSIONS ON BUDGET

● Mr. DOLE. Mr. President, it is estimated that the medicare and medicaid

programs will cost the Federal Government in excess of \$75 billion in fiscal year 1983. This is over 15 percent more than for fiscal year 1982. In the welfare area, we will be spending about \$20 billion in fiscal year 1983, or about 10 percent over fiscal year 1982 expenditures. These extraordinary levels of spending must be examined carefully in any serious attempt to bring our economy under control. The story in yesterday's Washington Post outlines a number of proposals, some of which are similar to items discussed by members of the Finance Committee in the past, that are designed to achieve savings.

Just to put things in perspective, the \$9.3 billion mentioned in the Post represents about 9 percent of projected fiscal year 1983 outlays for health and welfare programs under the Social Security Act. It should be noted, however, that the \$9.3 billion is merely a target number and Secretary Schweiker has only proposed about \$4.1 billion in additional program changes for fiscal year 1983, or about 4 percent of the estimated outlays for that year. It is also important to note that even this lesser amount is tentative and subject to ongoing review and revision by the administration.

Moreover, some of the items discussed are not cuts in benefits but rather changes of sources of coverage and revenues. For example, the working aged proposal would not cause reduced benefits; it would merely require private health insurance to pay benefits for those aged who remain in the work force, with medicare filling in any gaps. This would reduce medicare outlays by about \$258 million in fiscal year 1983. Requiring Federal workers to pay the medicare health insurance tax, as is being proposed, would bring in about \$650 million in additional trust fund revenues mostly from Federal workers who are now reaping windfall benefits under medicare.

Other proposals in the package are directed toward reducing payments to providers of services such as limits on hospital reimbursement. Again, these are not cuts in covered services, but signals to hospitals that we are not going to continue to fuel the near 20-percent rate of increase in hospital costs so far this year.

Although we have not had an opportunity for an in-depth review of the proposals being discussed by the administration, I believe some may have merit, and will deserve our consideration. However, in examining whatever final proposals are presented to Congress, it will be important to strike a reasonable balance, particularly in the medicare and medicaid programs, so that the burden of reduced spending is not borne solely by the poor and elderly, but is shared by the providers of health care services. It seems to me that Secretary Schweiker is taking that approach.●

SANCTIONS AGAINST LIBYA

● Mr. HART. Mr. President, two items in today's Washington Post, a news report and an editorial, highlight the continuing contradiction in our Government's

relations with Libya and its leader, Colonel Qadhafi. Both items indicate the Reagan administration has failed to dramatize in any meaningful way its commitment to combat Qadhafi's military adventurism and political subversion in Africa. I ask that both articles be inserted in the RECORD following my remarks.

Our status as the No. 1 customer of Libyan oil makes us hypocrites in the eyes of the world. Our interests as a democratic nation should outweigh the economic benefits of Libyan oil. This embarrassing international spectacle—condemning Qadhafi's words and supporting him with petrodollars—must end.

Last month we had an opportunity to do this. I proposed legislation to cut off all American imports of Libyan oil within 3 months. We could easily have found the quarter-million barrels a day elsewhere. And this relatively painless cutback would have been a good starting point for eventually eliminating all Middle Eastern oil imports.

The proposal presented a clear choice—either to continue to export American dollars for terrorist oil, or to stop. If the Reagan administration had wanted to stand on principle before the rest of the world, it would have matched its rhetoric with action.

But the administration opposed the legislation, and the Senate narrowly defeated it. And so a commitment of profound moral consequence was not made. The administration rejected an opportunity to squarely oppose Qadhafi's campaign of terror. It rejected the chance to stop American dollars from funding Libyan destabilization and violence. And it missed a chance to demonstrate American leadership and moral commitment in a world increasingly a hostage to terror.

The articles follow:
U.S. OFFICIALS DIFFER ON SANCTIONS AGAINST LIBYA
(By Michael Getler)

Although the Reagan administration has branded Libya's Col. Muammar Qaddafi public enemy No. 1, there is no agreement on what a number of government specialists think might be the best way for this country to dramatize its commitment to combat Qaddafi's military adventurism and political subversion in Africa.

That device is economic sanctions, and above all a halt to U.S. purchases of Libyan oil.

Some government officials studying the situation would like to cut off American purchases of Libyan oil as "the right thing to do" regardless of effectiveness. But a major complicating factor is that President Reagan and White House counselor Edwin Meese III have both rejected such a move in public precisely because, in their view, it would not be effective or in U.S. interests.

The essential contradiction in American policy toward Libya thus remains: while fingering Qaddafi as a major threat, and even after shooting down two Libyan planes last summer, the United States continues to spend billions of dollars to buy Qaddafi's oil. Although current U.S. imports are down substantially from last year, officials emphasize that this is due to price, other economic factors and the general oil glut, rather than to any political decisions here.

The oil revenues not only help finance the kinds of Libyan activities this administra-

tion regards as dangerous, but some of the money also undoubtedly finds its way to the Soviet Union, which needs dollars to finance purchases from the West, because Qaddafi buys lots of Soviet weapons with U.S. currency.

Last month, the chairman of the Senate Foreign Relations Committee, Charles H. Percy (R-Ill.), called on the president to conduct a review "of concrete steps the United States could take, individually and in concert with its allies, to bring economic and political pressure on Libya."

Sources say the options under study range from a U.S. boycott of Libyan oil to more rhetoric. In between, sources say, are such things as a ban on export of spare parts for American-owned oil facilities in Libya, a declaration that U.S. passports are not valid for travel to Libya and a more concerted effort to force the withdrawal of some 2,000 Americans still working for U.S. energy firms and living in Libya. These workers are the key to effective operation of the oil facilities in Libya.

Officials say there are drawbacks to all of these and other possibilities and that the fact that there is a review doesn't mean there will be a decision to act. "I would have to say that as of this moment, we have not found the formula for an effective economic program," the director of State's office of North African affairs, Robert Flaten, told a congressional committee last week.

Interviews with officials involved with the review suggest that three main points of view predominate.

One is the view espoused by Reagan and Meese, which is that a boycott "would have to be worldwide" for it to work. "No one country could affect them [the Libyans] by having a boycott," Reagan said last month after former president Nixon proposed an economic boycott. Continuing to buy the oil also "involves a particular balance of interests" for this country, Meese added.

In this view, Libya could find plenty of other buyers for its oil in Europe and Asia. Indeed, officials say that sounding out American allies privately has clearly indicated there would be little or no support for joining any U.S.-led boycott of Libyan oil. Aside from their need for oil and good relations throughout the Arab world, the Europeans reportedly have said that using oil as a weapon is a bad precedent, one that the United States objected to after the 1973 Arab-Israeli war and that was opposed by Europeans in the Iran crisis of 1980.

Many Europeans, officials here report, "also feel that we are too hung up on Qaddafi and make too much out of him." That view is echoed by some U.S. officials and constitutes a second line of argument.

"Is Qaddafi worse than the Soviet Union?" one official asks. "The Soviet Union is a real threat to the survival of the United States and we trade with them. Qaddafi is just a pain in the butt, especially to his neighbors. He is no military threat but rather a threat to subvert neighbors."

In a way, he said, public attention to Qaddafi by the Reagan administration may have gotten "out of hand, where he becomes a symbol, like El Salvador, of everything evil. So a lot of people would argue that we have vastly overblown Qaddafi as a person and as a threat."

Many specialists say that at the moment, the United States clearly could get along without Libyan oil, though the situation could change if Saudi Arabian production continues to decline. Some argue that if necessary the United States could eventually buy more oil from Nigeria, a friendly country that is having trouble selling its high-quality crude. They acknowledge, however, that switching suppliers is not as easy as it sounds.

Nevertheless, in the third view it is a sham for the United States to condemn Qaddafi verily without taking overt sanctions against him, such as an oil boycott, even if they are inefficient or hurt American business or energy interests. In this view, it would also improve the image of American backbone among important African and Middle East opponents of Qaddafi in Egypt, Saudi Arabia, Sudan and several other African neighbors.

THINKING ABOUT LIBYA

Libya's Col. Qaddafi seems to have decided to remove the thousands of troops he had ordered into Chad, on his southern border, last year. It is always risky to speculate on what moves this curious figure. In recent months, however, the United States has been escalating its expressions of concern over his international banditry. French President Mitterrand had devised a new diplomatic plan, holding out to Chad's president an alternative to dependence on Libya and encouraging other African states to expedite the dispatch of a peace-keeping force. The Libyan decision is neither fully consummated nor irreversible. In the best of circumstances, Chad will be left with the internal tensions that opened the way to Libya's intervention in the first place. For now, however, the specter of a muscular fundamentalist Islamic movement marching across black Africa appears to be suspended.

How dangerous is Col. Qaddafi? One school of thought holds that he is an overcompensating anti-imperialist capable only of an occasional assassination and that the West simply gives him ideas and advertises its own impotence by thinking he can do much more. But this is a patronizing and misleading view. His oil wealth, his Soviet connection, his feel for Arab and Islamic currents and his tactical boldness have made him a menace out of all proportion to his nation's underdevelopment and small size. Of the different countries that the Reagan administration has identified as villains on the international scene, none has established itself in that role more convincingly on its own. That is what is satisfying—if it sticks—about the latest development in respect to Chad. Other nations, acting on their own judgment of Col. Qaddafi, sought to neutralize him in that corner at least.

One measure of his administration's concern is that it is now reported to have offered Egypt a military shield against the Soviet Union in the event that Egypt attacks Libya. This is an extraordinary offer, not least because it appears to delegate to another country the power to commit the United States to war. Fortunately, there are less risky and more defensible things the United States might do. One would be to cut back American purchases of oil from Libya, a development that market conditions currently facilitate. A second would be to call home the 2,000 Americans working in Libya whom Col. Qaddafi uses as a kind of shield. A third would be to find an effective way to remove the lingering and damaging suspicion that the ex-CIA men who have been helping him murder his enemies and conduct subversion still have some subterranean connection to the CIA. ●

CHILEAN ECONOMICS

● Mr. EAST. Mr. President, in the continuing controversy over "Reaganomics," there has been comparatively little attention paid to the application of the principles of free market economics in other countries or to the disastrous consequences of abandoning the free market. One of the success stories of our time in this respect is the example of Chile under the government of General Pinochet. Al-

though Chile is governed by an authoritarian and undemocratic regime, it has made remarkable economic recovery since 1973, when the Marxist experiments of Salvador Allende were overthrown.

My good friend and supporter, Mr. John W. Thomas, Jr., of High Point, N.C., has brought to my attention an article on "Chile's Brave New World of Reaganomics" by Peter Dworkin from the November 2, 1981, issue of *Fortune* magazine. Mr. Thomas, who is president of Thomasbuilt Buses, Inc., one of North Carolina's most successful businesses, is deeply knowledgeable in the principles of the free market as well as in their application, and his practical experience and observations of the world in his travels give him considerable authority in economic, political, and business affairs.

Mr. Dworkin's article points out that under Allende's collectivist policies, Chile suffered from an inflation rate of 600 percent; today, due to the adherence to free market principles, the inflation rate is about 12 percent. Budget deficits under Allende were 23 percent of the GNP; today, the budget has a surplus and the GNP itself has grown by an annual average of 8 percent for the last 4 years.

This remarkable economic progress has been due to the policies of Chilean Finance Minister Sergio de Castro, a University of Chicago trained economist and a student of Nobel Prize winner Milton Friedman. Minister de Castro has employed many University of Chicago trained economists in the Chilean Government.

While Chile's authoritarian Government should not be emulated, the United States can still learn an important lesson from the failures of Allende's socialism and the astounding success of the application of free market economics under the Pinochet government.

I am indebted to Mr. Thomas for bringing Mr. Dworkin's article to my attention. I commend the article to my colleagues, and I ask that it be reprinted in the CONGRESSIONAL RECORD.

The article follows:

CHILE'S BRAVE NEW WORLD OF REAGANOMICS (By Peter Dworkin)

Any country that knocks down its inflation rate from high triple digits to the low teens is bound to attract attention. And because Chile did it with a mix of budget cuts, tax changes, and free-market doctrine that looks a lot like Reaganomics, the Administration's boosters are pointing to Chile as proof that the Reagan economic program is sound and will really work.

Certainly Chile's turnaround since 1973 is impressive. From the economic wreckage of Salvador Allende's Marxist regime, when inflation topped 600 percent and the deficits reached 23.6 percent of GNP (equivalent to a U.S. deficit of \$630 billion), Chile's military junta has fashioned a relatively healthy economy. Inflation is down to about 12 percent, and the budget has a surplus. For the past four years, GNP has grown an average of 8 percent annually. Though the government still controls big industries like copper mining, steel, and electric utilities, nearly all of the 500 companies nationalized by Allende have been returned to private ownership. Most tariffs, once averaging 105 percent, are down to 10 percent and trade is flourishing.

The results are strikingly visible in Santiago. Glittering, luxury-filled shops rival the best of Houston or Los Angeles. With trade barriers down, shiny new Japanese cars have largely replaced the elderly gas-eating Chevrolet Novas and Ford Falcons that once plied the streets. Though the gap between rich and poor seems not to have narrowed, the junta has sharply reduced the country's infant mortality rate, once a scandalous 65 per 1,000. Milton Friedman, who made a celebrated, advice giving lecture tour of Chile in 1979 calls the recovery "comparable to the economic miracle of postwar Germany. Arthur Laffer sees the country as nothing less than a showcase of what the supply-side ideas can do.

That may be too much praise. Even the Chileans are careful not to make extravagant claims about what their program might accomplish somewhere else. And Chile may not be the most suitable laboratory in which to test ideas for the huge and diverse U.S. economy. It has a budget about the size of New York City's, and its population of 11 million is remarkably homogeneous.

Moreover, in Chile the market's invisible hand is an iron fist. The junta, led by General Augusto Pinochet, rules by fiat backed up by Chile's goose-stepping army. (Chile long ago patterned its land forces on the Prussian model.) Freedom of speech is restricted, industry-wide strikes are outlawed, and police with machine guns keep order in Santiago. Unemployment hovers around 15 percent, which is surely an unacceptable level for any democracy.

Still, there are some lessons to be learned from Chile. Neighboring Argentina has demonstrated that an authoritarian regime can mess up its economy as thoroughly as can a democratic government. And Chile's strategy is especially intriguing because it was crafted and executed by the CHEE-ca-go Boys, a close-knit group of Chilean economists led by Finance Minister Sergio de Castro, 51, who learned free-market theories at the University of Chicago.

Chile got into its fix in the first place by spending more on social programs than it could afford. Through the 1950s and 1960s, a succession of democratic civilian governments was slowly turning Chile into a welfare state. But the rickety economy, with its dependence on copper exports and welter of tariffs and price controls, could not keep up with the rising social expectations. In 1970 Allende was elected on a Marxist platform pledging, among other goodies, rapid and strong economic growth.

Allende pushed so hard on the economic throttle that it broke. Oversized wage increases fed spiraling prices. When world copper prices fell and foreign lenders fled, he ran the printing presses at the treasury to cover the soaring fiscal deficit. Everything except strikes was in short supply. Housewives desperate over bare shelves in Santiago food stores took to the streets slamming pots—political theater Chileans remember as the March of the Casseroles. In September 1973, as air-force rockets slammed into the presidential palace, the military took over. Allende, refusing to surrender, died in his office—a murdered martyr to his supporters, a suicide according to the generals.

THE GENERAL HITS THE BOOKS

Pinochet, 65, the cautious and nonpolitical army chief appointed by Allende, had been the last of the brass to back the coup. But when the smoke cleared, he was on top. Educated at Chile's military academy, Pinochet apparently knew how to run a junta, but he didn't know much about the economy. According to one story, the general ordered up a copy of Paul Samuelson's famous economics text and spent more than a year plowing through it—as the indicators barely budged.

The generals and moderate free-market economists Pinochet appointed to the top economic jobs quickly abolished most price controls, but they only gradually reduced spending. The slow approach didn't work, and by the end of Pinochet's first year, inflation raged at 369 percent annually and the red ink still gushed.

Meanwhile the Chicago Boys kept hammering away for deep and immediate budget cuts. De Castro, who had once been the economics dean at Santiago's Catholic University, spent the Allende years drafting an economic recovery plan that formed the basis of what he has since accomplished. Shortly after the coup, De Castro joined the military government as a senior adviser in the Ministry of Economics. Many of his associates followed, and soon a dozen Chicago Boys were spread through various government agencies. They finally moved to the forefront early in 1975, but only because a collapse in copper prices saddled Chile with a balance-of-payments crisis. Drained of foreign reserves, the economy faced a billion-dollar import bill it couldn't pay. The only option, the Chicago disciples convinced Pinochet, was to go cold turkey. In distress, the general agreed:

De Castro was promoted to minister of economics and, along with Jorge Cauas, 47, the finance minister at the time, began to fashion the rescue operation. (Cauas, a former World Bank staffer, departed the next year to be ambassador to Washington and De Castro took his title.) It was at this point that De Castro's old professor, Milton Friedman, showed up in Santiago, the guest of a group of Chilean businessmen. Along with University of Chicago Professor Arnold Harberger, longtime friend and mentor of De Castro and many of the other Chicago Boys, Friedman spent a week in Chile recommending economic shock treatments on the budget. The prof's message was carried on TV, and Friedman even trooped over to Pinochet's office to give the general a one-hour course in monetary theory.

Though the visit has become part of the Friedman folklore—he saved Chile in a week—the Chileans are at some pains to point out that the government had already decided to move. Still, the Chicago Boys realized that the Friedman-Harberger road show was good public relations for the drastic steps they were about to take. With the country thus softened up, they swung a budgetary ax that would have delighted David Stockman. They cut spending by 25 percent across the board, pruned the public-sector payroll, and either sold off state enterprises or curtailed their access to the treasury. Within the year, except for payments on the government debt, the budget showed a surplus.

But as they slashed spending, the Chileans departed from Reaganomics—at least initially—in one important way: they raised taxes. Rates on personal income went up by 20 percent over two years. They also put in a 20 percent value-added tax and appointed a tough taxman to collar cheaters.

It wasn't until the budget began to come into balance in 1977 that De Castro started cutting taxes. And it is this phase of tax reform that Laffer focuses on as his supply-side litmus test. Personal exemptions were raised to the point that two-thirds of the wage earners pay no income taxes. Brackets were widened for all except the wealthiest.

The Chicago Boys shrug off Laffer's contention that the cuts were a major cause of the recovery, and the jury is still out on the effect of the tax cuts on savings. Are the Chileans supply-siders? Says Arnold Harberger, "What they've done are the things wise old men at the World Bank and the IMF have been saying for 25 years."

In managing the money supply, the Chicago Boys did not go nearly as far as Friedman had taught in the Fifties or suggested during his 1975 visit. Friedman wanted Chile's money growth stopped in its tracks

within months. Harberger was a bit more moderate. He believed the annual expansion of money could gradually be slowed from about 260 percent to 80 percent. Instead, the Chileans moved more cautiously. The nominal supply of money measured by M1 (cash and demand deposits) expanded at an average of 125 percent a year from 1975 on. The policymakers reasoned that Chileans had been hooked on inflation for so long that they would have to be weaned gradually. "We were careful to look at the monetary aggregates," recalls Jorge Cauas. "But it would have been almost impossible to try to squeeze money further."

The bigger problem was the dire recession triggered by the Chicago shock treatment. The Chicago Boys foresaw—indeed, they sought—the contraction, but its severity and duration took them by surprise. The national output fell 15 percent in 1975 and wages slid to one-third below what they had been in 1970. Unemployment went to 20 percent, and stuck within three points of that level for the next four years. A crash program put heads of large families on the public payroll. There were outbreaks of mangle and other infectious diseases. Beggars appeared on city streets, and the Catholic Church organized soup kitchens.

That painful reality was a sobering contrast to what had been promised. In 1975 Milton Friedman predicted that the unemployed would rapidly find work. "You'd be surprised," he told a Santiago audience, "how fast people would be absorbed by a growing private-sector economy." The Chicago-trained president of the Central Bank predicted that inflation would fall from 343 percent that year to 10 percent by 1978. Inflation did drop—to 199 percent in 1976 and to 84 percent in 1977. The private sector, caught between limp demand and high interest rates, came back very slowly. Only in 1978 did output regain its prerecession level.

In hindsight, it's clear that the shock treatment succeeded in bringing down inflation only by putting the country through a wringer. Harberger blames the worldwide recession of 1974-75 for causing a big part of the suffering. Rudiger Dornbusch, an MIT economist who trained at Chicago, charges that the government could have alleviated the pain with a more generous aid program for the poor. Whatever the causes, certainly a democracy would demand more compassion and quicker results. Perhaps only an autocrat like Pinochet could clobber inflation with such a heavy hand.

BOATLOADS OF SUMMER FRUIT

Chile's new trade policy was at least as important to the recovery as budget cutting and tax reform. For years food and other basic prices were held down. Huge tariffs on manufactured imports kept prices of locally produced products high and consumption low. Tariffs and subsidies to industry increased employment but encouraged inefficiency and poor quality. Bicycles enjoyed effective tariffs of 555 percent; textiles got 492 percent. Consumers and taxpayers paid the freight.

Pinochet's professors substituted the free-market theory of comparative advantage. Each nation, argued British economist David Ricardo 160 years ago, should make only those goods it can produce more cheaply than anyone else. One thing Chile could do was mine copper. But reliance on copper had long been troublesome for Chile, so De Castro sought new "comparative advantage" exports. Once the government stopped controlling food prices, farmers could export boatloads of summer fruits and vegetables to winter markets in Europe and the Mideast, seizing the advantage that Chile's seasons are opposite what they are north of the equator. In total, nontraditional exports, including paper products and fish, have grown ninefold since 1973.

As tariffs toppled, Chileans with pesos in their pockets went on an import drunk, reveling for the first time in everything from microwave ovens to Chun King Chinese food. Finnish butter and American mayonnaise, among other products, are cheaper than the local stuff. Chileans joke that even the chickens come from Taiwan. But it's no laughing matter: local manufacturers must compete with imports on price and quality or die.

Stripped of their tariffs, small companies in textiles, electronics, and metalworking did die. But a surprising number of other firms managed to adjust. An old refrigerator company now makes bicycles. The owners of an electronics firm shut it down and are now growing fruit, much of it for export. Some textile houses survive as importers.

The shift of resources to the private sector rewarded the swift and the strong. "People with a little luck and knowledge about the free market became kings," says Larry Sjaastad, an economist at Chicago who visits Chile frequently.

A good example of a new king is Javier Vial, 47, the stocky chairman of the \$1.3-billion BHC Group, among Chile's largest conglomerates. Ordinary Chileans call Vial and a few of his rivals "piranhas," an endearment roughly equivalent to "robber barons." Vial's 40-odd holdings include one-quarter of Chile's largest bank, the biggest lumber and home-appliance companies, as well as mines, metal-processing plants, and a fishing fleet.

Vial amassed large chunks of his empire by borrowing abroad and gobbling up the nationalized companies the government wanted to peddle. The Chicago Boys were in a hurry to sell the mostly money-losing firms, but there were few takers. With real interest rates at 65 percent in 1976, most Chilean companies could not raise the cash. Even the few that did have access to cheap foreign credit were too timid to move. "When the rules of the game changed, many people didn't," says Vial, sipping Chilean wine in the private dining room of his ornate 19th-century bank headquarters. Vial estimates the assets he acquired from the government about six years ago are now worth eight times what he paid.

The latest wrinkle in Chile's free-enterprise revolution is a unique plan to save the bankrupt social-security system by turning it over to the private sector. People now entering the work force must enroll in a private fund (more than a dozen have been approved since the plan began last May), and older workers have five years to ditch the public program. Employees must pay 10 percent of their salaries into the fund of their choice and can voluntarily contribute another 10 percent, both tax free. New wage increases offset the cost to the worker, who can change funds every 30 days, chasing the best returns.

THE WHITE HOUSE MADE INQUIRIES

Jose Piñera, 32, the ebullient Harvard-trained economist who created the new system, believes it is foolproof. If a fund's performance falls 7 percent below the industry average for one year, the company that manages it must make up the difference with its own capital. The manager would go broke before the fund could fall. Piñera says, and just in case, the government guarantees a minimum pension. The idea is more radical than anything the Administration or Congress has proposed to save our falling Social Security system, but the Chileans say they have had discreet inquiries from the White House.

The social-security innovation is part of a broader effort to create a "nonsocialist social policy," as Piñera puts it. The idea is for the marketplace to provide services like pension benefits, health care, and higher education for a profit while a safety net of public programs catches the needy.

Sketchy evidence suggests that while those

in the lowest category have had modest increases in social services, the average level of services has deteriorated. Though the government denies it, Catholic charity workers claim that the incidence of diseases like typhoid that flourish in poor neighborhoods has doubled. Per capita social spending is down 10 percent from a decade ago.

The persistence of high unemployment takes a bit more of the shine off the Chicago experiment. "To me it's a puzzle," confides Arnold Harberger. The government is trying to nudge the marketplace: This summer it abolished the \$15½ monthly minimum wage for workers under 21 and over 65 to make youngsters and the aged more employable.

LESSONS FROM ORTHODOXY

The big question is whether Chile can sustain its impressive growth. Claremont Economics Institute predicts output will expand only 4 percent to 5 percent this year and next, barely half the rate of the late Seventies. In the first half of the year imports dwarfed exports, as the country's consumer-goods craze continued and the price of copper and other exports faltered. Payments on \$13 billion in foreign debt, for Chile's size one of the highest in the world, are increasing rapidly.

For his part, De Castro is willing to sacrifice immediate growth to keep inflation down. Since June 1979, when inflation was stuck around 40 percent a year, he has kept the rate of exchange firm at 39 pesos to the dollar. That way, the low prices of foreign goods would squash domestic prices. The gambit worked. But the overvalued exchange rate favors imports and punishes exporters who cannot recover rising costs. De Castro is now betting that local and international inflation will converge.

What can we learn from Chile's experiment in economic orthodoxy? First, if a small undeveloped country can live by the theory of competitive advantage, then surely our infinitely more resourceful economy can—without import quotas or auto-company bailouts. Second, Chile teaches that in controlling inflation neither money nor tax policy can substitute for sustained fiscal discipline. The U.S. economy should neither require the severity seen in Chile nor exact the same pain to solve its problems. Milton Friedman, for example, counsels gradualism not shock treatment. But the response time may be just as agonizingly long as it was in Chile. Whether a democracy has enough staying power is a question only Ronald Reagan's Washington—and the passage of time—can answer. ●

EDUCATION OF DAVID STOCKMAN

● Mr. HART. Mr. President, I ask that the attached article from the December 1981 Atlantic magazine entitled "The Education of David Stockman" be printed in the RECORD in full at this point. It is a fascinating story about what the Director of the Office of Management and Budget, Mr. Stockman, knew about "supply-side" economics, and when he knew it. For anyone who has had any doubts about either the darker philosophical underpinnings of the administration's economic proposals, or the faulty logic behind them, this article will prove extremely enlightening.

The article follows:

THE EDUCATION OF DAVID STOCKMAN

(By William Greider)

I. HOW THE WORLD WORKS

Generally, he had no time for idle sentimentality, but David A. Stockman indulged himself for a moment as he and I approached the farmhouse in western Michigan

where Stockman was reared. With feeling, he described a youthful world of hard work, variety, and manageable challenges. "It's something that's disappearing now, the working family farm," Stockman observed. "We had a little of everything—an acre of strawberries, an acre of peaches, a field of corn, fifteen cows. We did everything."

A light snow had fallen the day before, dusting the fields and orchards with white, which softened the dour outline of the Stockman brick farmhouse. It was built seventy years ago by Stockman's maternal grandfather, who also planted the silver birches that ring the house. He was county treasurer of Berrien County for twenty years, and his reputation in local politics was an asset for his grandson.

The farm has changed since Stockman's boyhood; it is more specialized. The bright-red outbuildings behind the house include a wooden barn where livestock was once kept, a chicken coop also no longer in use, a garage, and a large metal-sided building, where the heavy equipment—in particular, a mechanical grape picker—is stored. Grapes are now the principal crop that Allen Stockman, David's father, produces. He earns additional income by leasing out the grape picker. The farm is a small but authentic example of the entrepreneurial capitalism that David Stockman so admires.

As the car approached the house, Stockman's attention was diverted by a minor anomaly in the idyllic rural landscape: two tennis courts. They seemed out of place, alone, amidst the snow-covered fields at an intersection next to the Stockman farm. Stockman hastened to explain that, despite appearances, these were not his family's private tennis courts. They belonged to the township. Royalton Township (of which Al Stockman was treasurer) had received, like all other local units of government, its portion of the federal revenue-sharing funds, and this was how the trustees had decided to spend part of the money from Washington. "It's all right, I suppose," Stockman said amiably, "but these people would never have taxed themselves to build that. Not these tight-fisted taxpayers! As long as someone is giving them the money, sure, they are willing to spend it. But they would never have used their own money."

Stockman's contempt was directed not at the local citizens who had spent the money but at the people in Washington who had sent it. And soon he would be in a position to do something about them. This winter weekend was a final brief holiday with his parents; in a few weeks he would become director of the Office of Management and Budget in the new administration in Washington. Technically, Stockman was still the U.S. congressman from Michigan's Fourth District, but his mind and exceptional energy were already concentrated on running OMB, a small but awesomely complicated power center in the federal government, through which a President attempts to monitor all of the other federal bureaucracies.

Stockman carried with him a big black binder enclosing a "Current Services Budget," which listed every federal program and its current cost projections. He hoped to memorize the names of 500 to 1,000 program titles and major accounts by the time he was sworn in—an objective that seemed reasonable to him, since he already knew many of the budget details. During four years in Congress, Stockman had made himself a leading conservative gadfly, attacking Democratic budgets and proposing leaner alternatives. Now the President-elect was inviting him to do the same thing from within. Stockman had lobbied for the OMB job and was probably better prepared for it, despite his youthfulness, than most of his predecessors.

He was thirty-four years old and looked younger. His shaggy hair was streaked with

gray, and yet he seemed like a gawky collegian, with unstylish glasses and a prominent Adam's apple. In the corridors of the Capitol, where all ambitious staff aides scurried about in serious blue suits, Representative Stockman wore the same uniform, and was frequently mistaken for one of them.

Inside the farmhouse, the family greetings were casual and restrained. His parents and his brothers and in-laws did not seem overly impressed by the prospect that the eldest son would soon occupy one of the most powerful positions of government.

Opening presents in the cluttered living room, watching the holiday football games on television, the Stockmans seemed a friendly, restrained, classic Protestant farm family of the Middle West, conservative and striving. As sometimes happens in those families, however, the energy and ambition seemed to have been concentrated disproportionately in one child, David, perhaps at the expense of the others. His mother, Carol, a big-boned woman with metallic blond hair, was the family organizer, an active committee member in local Republican politics, and the one who made David work for A's in school. In political debate, David Stockman was capable of dazzling opponents with words; his brothers seemed shy and taciturn in his presence. One brother worked as a county corrections officer in Michigan. Another, after looking on Capitol Hill, found a job in an employment agency. A third, who had that distant look of a sixties child grown older, did day labor, odd jobs. His sister was trained as an educator and worked as a consultant to manpower-training programs in Missouri that were financed by the federal government. "She believes in what she's doing and I don't quarrel with it," Stockman said. "Basically, there are gods of this money out there. CETA grants have to do evaluation and career planning and so forth. What does it amount to? Somebody rents a room in a Marriott Hotel somewhere and my sister comes in and talks to them. I think Marriott may get more out of it than anyone else. That's part of what we're trying to get at, and it's layered all over the government."

While David Stockman would speak passionately against the government in Washington and its self-aggrandizing habits, there was this small irony about his siblings and himself: most of them worked for government in one way or another—protected from the dynamic risk-taking of the private economy. Stockman himself had never had any employer other than the federal government, but the adventure in his career lay in challenging it. Or, more precisely, in challenging the "permanent government" that modern liberalism had spawned.

By that phrase, Stockman and other conservatives meant not only the layers and layers of federal bureaucrats and liberal politicians who sustained open-ended growth of the central government but also the less visible infrastructure of private interests that fed off it and prospered—the law firms and lobbyists and trade associations in rows of shining office buildings along K Street in Washington; the consulting firms and contractors; the constituencies of special interests, from schoolteachers to construction workers to failing businesses and multinational giants, all of whom came to Washington for money and for legal protection against the perils of free competition.

While ideology would guide Stockman in his new job, he would be confronted with a large and tangible political problem: how to resolve the three-sided dilemma created by Ronald Reagan's contradictory campaign promises. In private, Stockman agreed that his former congressional mentor, John Anderson, running as an independent candidate for President in 1980, had asked the right question: How is it possible to raise defense spending, cut income taxes, and balance the budget, all at the same time? Anderson had

taunted Reagan with that question, again and again, and most conventional political thinkers, from orthodox Republican to Keynesian liberal, agreed with Anderson that it could not be done.

But Stockman was confident, even cocky, that he and some of his fellow conservatives had the answer. It was a theory of economics—the supply-side theory—that promised an end to the twin aggravations of the 1970s: high inflation and stagnant growth in America's productivity. "We've got to figure out a way to make John Anderson's question fit into a plausible policy path over the next three years," Stockman said. "Actually, it isn't all that hard to do."

The supply-side approach, which Stockman had only lately embraced, assumed, first of all, that dramatic action by the new President, especially the commitment to a three-year reduction of the income tax, coupled with tight monetary control, would signal investors that a new era was dawning, that the growth of government would be displaced by the robust growth of the private sector. If economic behavior in a climate of high inflation is primarily based on expectations about the future value of money, then swift and dramatic action by the President could reverse the gloomy assumptions in the disordered financial markets. As inflation abated, interest rates dropped, and productive employment grew, those marketplace developments would, in turn, help Stockman balance the federal budget.

"The whole thing is premised on faith," Stockman explained. "On a belief about how the world works." As he prepared the script in his mind, his natural optimism led to bullish forecasts, which were even more robust than the Reagan Administration's public promises. "The inflation premium melts away like the morning mist," Stockman predicted. "It could be cut in half in a very short period of time if the policy is credible. That sets off adjustments and changes in perception that cascade through the economy. You have a bull market in '81, after April, of historic proportions."

How the world works.—It was a favorite phrase of Stockman's frequently invoked in conversation to indicate a coherent view of things, an ideology that was whole and consistent. Stockman took ideology seriously, and this distinguished him from other bright, ambitious politicians who were content to deal with public questions one at a time without imposing a consistent philosophical framework upon them.

In 1964, when he went off to Michigan State, having played quarterback in high school and participated in Future Farmers of America, Stockman assumed that he would be a farmer like his father. His political views were orthodox Republican, derived from his mother, and from his reading of *The Conscience of a Conservative*, by Senator Barry Goldwater. "In my first three months, I went through an absolute clash of cultures," Stockman recalls. "My first professor was an atheist and socialist from Brooklyn, and within three months I think he destroyed everything I believed in, from God to the flag. When the Vietnam War became the focus of campus radicalism, Stockman became a leader, and read Herbert Marcuse, C. Wright Mills, and Paul Goodman's critiques of American society. "I became a radical, not in the hard-core sense but in the more casual sense that nearly everybody was on campus in those days. Naturally, as a good Methodist, I looked for the Methodist youth center, which became the anti-war center, because that was the socially conscious thing to do. I was still enough of a farm boy to believe that revolution was God's work."

After graduation he enrolled at Harvard Divinity School thinking he might become a great moral philosopher in the tradition of

Christian social activists. (He was perhaps also thinking, like so many other students of the time, that divinity school would extend his deferment from the draft.) At Michigan State, he had dropped the study of agriculture and moved into the humanities. At Harvard, he dropped theology and moved into the social sciences (though he never received training as an economist). "I guess I always had a strong intellectual bent, so I needed a strong theory of how the world worked."

When he found the divinity courses uninspiring, he began taking political science and history—studying under neo-conservatives such as James Q. Wilson, Nathan Glazer, and Daniel Patrick Moynihan—and discovered, he said, "that it was possible to have a sophisticated view of the world without being a Marxist." In a Harvard seminar, he made a connection with John Anderson, who was looking for a bright young idea man to help prepare issues for the House Republican Conference, which Anderson chaired. The Illinois congressman was moving gradually leftward in his views; Stockman was continuing his intellectual search in the opposite direction.

Stockman's congressional district was composed of small towns and countryside, a world that worked quite well without Washington, in his view. After dinner at the farm that day, we took a driving tour of the area. The government's good works were everywhere—a new sewer system in Bridgman, a modern municipal building in Stevensville—but Stockman belittled them as "pork barrel." Stockman's district was overwhelmingly rural and Republican, but he saw it as a fair representation of America.

Indeed, as a congressman, Stockman himself had worked hard to make certain that his Fourth District constituents exploited the system. His office maintained a computerized alert system for grants and loans from the myriad agencies, to make certain that no opportunities were missed. "I went around and cut all the ribbons and they never knew I voted against the damn programs," he said.

Still, more than most other politicians, Stockman was known for standing by his ideological principles, not undermining them. When Congress voted its bail-out financing to rescue Chrysler from bankruptcy, Stockman was the only Michigan representative to oppose it, even though a large town in his district St. Joseph, would be hurt. The town's largest employer, St. Joe's Auto Specialties, was a Chrysler supplier, and its factory was laying off workers. Its owners were among Stockman's earliest and largest contributors when he first ran for Congress, in 1976. Still, he opposed the bail out. "Some of them were a little miffed at me and others applauded. I only had one or two argue strenuously with me. They're probably more derogatory behind my back."

Stockman felt protected from local pressures, in a way that most members of Congress do not—partly by the Republicanism of the district but also by the consistency of his ideology. Since he had a clear, strong view of what government ought and ought not to do, he found it easier to resist claims that seemed illegitimate, no matter who their sponsors might be. "Too many politicians are intimidated by the squeaking wheel, in my judgment. Regardless of their ideological viewpoint, they're able to incorporate the squeaking wheel into their general position. If the proposal is pro-business, they call it conservative. If they're from Nebraska, it's pro-farmer. It's whatever serves the constituencies."

This was the core of his complaint against the modern liberalism launched by Franklin Roosevelt's New Deal. He did not quarrel with the need for basic social-welfare programs, such as unemployment insurance or

Social Security; he agreed that the government must regulate private enterprise to protect general health and safety. But liberal politics in its later stages had lost the ability to judge claims, and so yielded to all of them, Stockman thought, creating what he describes as "constituency-based choice-making," which could no longer address larger national interests, including fiscal control. As Stockman saw it, this process did not ameliorate social inequities; it created new ones by yielding to powerful interest groups at the expense of everyone else. "What happens is the politicization of the society. All decisions flow to the center. Once we decide to allocate credit to certain activities—and we're doing that on a massive scale—or to allocate the capital for energy development, the levels of competency and morality fall. Then the outcomes in society begin to look more and more like the work of brute muscle. The other thing it does is destroy ideas. Once things are allocated by political muscle, by regional claims, there are no longer idea-based agendas."

Across the river from St. Joe's, Stockman drove through the deserted Main Street of Benton Harbor, his favorite example of failed liberalism. Once it had been a prosperous commercial center but now most of its stores and buildings were boarded up and vacant except for an occasional storefront church or social-service agency. As highways and suburban shopping centers pulled away commerce, the downtown collapsed, whites moved, and the city became predominantly black and overwhelmingly poor. The federal government's various efforts to revive Benton Harbor had quite visibly failed.

"When you have powerful underlying demographic and economic forces at work, federal intervention efforts designed to reverse the tide turn out to have rather anemic effects," Stockman said, surveying the dilapidated storefronts. "I wouldn't be surprised if \$100 million had been spent here in the last twenty years. Urban renewal, CETA, model cities, they've had everything. And the results? No impact whatever."

The drastic failure seemed to please him, for it confirmed his view of how the world works. As budget director, he intended to proceed against many of the programs that fed money to the poor blacks of Benton Harbor, morally confident because he knew from personal observation that the federal revitalization money did not deliver what such programs promised. But he would also go after the Economic Development Administration (EDA) grants for the comfortable towns and the Farmers Home Administration loans for communities that could pay for their own sewers and the subsidized credit for farmers and business—the federal guarantees for economic interests that ought to take their own risks. He was confident of his theory, because, in terms of the Michigan countryside where he grew up, he saw it as equitable and fundamentally moral.

"We are interested in curtailing weak claims rather than weak clients," he promised. "The fear of the liberal remnant is that we will only attack weak clients. We have to show that we are willing to attack powerful clients with weak claims. I think that's critical to our success—both political and economic success."

II. A RADICAL IN POWER

Three weeks before the inauguration, Stockman and his transition team of a dozen or so people were already established at the OMB office in the Old Executive Office Building. When his appointment as budget director first seemed likely he had agreed to meet with me from time to time and relate, off the record, his private account of the great political struggle ahead. The particulars of these conversations were not to be reported until later, after the season's battles were over, but

a cynic familiar with how Washington works would understand that the arrangement had obvious symbiotic value. As an assistant managing editor at *The Washington Post*, I benefited from an informed view of policy discussions of the new administration; Stockman, a student of history, was contributing to history's record and perhaps influencing its conclusions. For him, our meetings were another channel—among many he used—to the press. The older generation of orthodox Republicans distrusted the press; Stockman was one of the younger "new" conservatives who cultivated contacts with columnists and reporters, who saw the news media as another useful tool in political combat. "We believe our ideas have intellectual respectability, and we think the press will recognize that," he said. "The traditional Republicans probably sensed, even if they didn't know it, that their ideas lacked intellectual respectability."

In any case, for the eight months that followed, Stockman kept the agreement, and our regular conversations over breakfast at the Hay-Adams, provided the basis of the account that follows.

In early January, Stockman and his staff were assembling dozens of position papers on program reductions and studying the internal forecasts for the federal budget and the national economy. The initial figures were frightening—"absolutely shocking," he confided—yet he seemed oddly exhilarated by the bad news, and was bubbling with new plans for coping with these horrendous numbers. An OMB computer, programmed as a model of the nation's economic behavior, was instructed to estimate the impact of Reagan's program on the federal budget. It predicted that if the new President went ahead with his promised three-year tax reduction and his increase in defense spending, the Reagan Administration would be faced with a series of federal deficits without precedent in peacetime—ranging from \$82 billion in 1982 to \$116 billion in 1984. Even Stockman blinked. If those were the numbers included in President Reagan's first budget message, the following month, the financial markets that Stockman sought to reassure would instead be panicked. Interest rates, already high, would go higher; the expectation of long-term inflation would be confirmed.

Stockman saw opportunity in these shocking projections. "All the conventional estimates just wind up as mud," he said. "As absurdities. What they basically say, to boil it down is that the world doesn't work."

Stockman set about doing two things. First, he changed the OMB computer. Assisted by like-minded supply-side economists, the new team discarded orthodox premises of how the economy would behave. Instead of a continuing double-digit inflation, the new computer model assumed a swift decline in prices and interest rates. Instead of the continuing pattern of slow economic growth, the new model was based on a dramatic surge in the nation's productivity. New investment, new jobs and growing profits—and Stockman's historic bull-market. "It's based on valid economic analysis," he said, "but it's the inverse of the last four years. When we go public, this is going to set off a wide-open debate on how the economy works, a great battle over the conventional theories of economic performance."

The original apostles of supply-side, particularly Representative Jack Kemp, of New York, and the economist Arthur B. Laffer, dismissed budget-cutting as inconsequential to the economic problems, but Stockman was trying to fuse new theory and old. "Laffer sold us a bill of goods," he said, then corrected his words: "Laffer wasn't wrong—he didn't go far enough."

The great debate never quite took hold in the dimensions that Stockman had antici-

pated, but the Reagan Administration's economic projections did become the source of continuing controversy. In defense of their counter-theories, Stockman and his associates would argue, correctly, that conventional forecasts, particularly by the Council of Economic Advisers in the preceding administration, had been consistently wrong in the past. His critics would contend that the supply-side premises were based upon wishful thinking, not sound economic analysis.

But, second, Stockman used the appalling deficit projections as a valuable talking point in the policy discussions that were under way with the President and his principal advisers. Nobody in that group was the least bit hesitant about cutting federal programs, but Reagan had campaigned on the vague and painless theme that eliminating "waste, fraud, and mismanagement" would be sufficient to balance the accounts. Now, as Stockman put it, "the idea is to try to get beyond the waste, fraud, and mismanagement modality and begin to confront the real dimensions of budget reduction." On the first Wednesday in January, Stockman had two hours on the President-elect's schedule to describe the "dire shape" of the federal budget; for starters, the new administration would have to go for a budget reduction in the neighborhood of \$40 billion. "Do you have any idea what \$40 billion means?" he said. "It means I've got to cut the highway program. It means I've got to cut milk-price supports. And Social Security student benefits. And education and student loans. And manpower training and housing. It means I've got to shut down the synfuels program and a lot of other programs. The idea is to show the magnitude of the budget deficit and some suggestion of the political problems."

How much pain was the new President willing to impose? How many sacred cows would he challenge at once? Stockman was still feeling out the commitment at the White House, aware that Reagan's philosophical commitment to shrinking the federal government would be weighed against political risks.

Stockman was impressed by the ease with which the President-elect accepted the broad objective: find \$40 billion in cuts in a federal budget running well beyond \$700 billion. But, despite the multitude of expenditures, the proliferation of programs and grants, Stockman knew the exercise was not as easy as it might sound.

Consider the budget in simple terms, as a federal dollar representing the entire \$700 billion. The most important function of the federal government is mailing checks to citizens—Social Security checks to the elderly, pension checks to retired soldiers and civil servants, reimbursement checks for hospitals and doctors who provide medical care for the aged and the poor, welfare checks for the dependent, veterans checks to pensioners. Such disbursements consume forty-eight cents of the dollar.

Another twenty-five cents goes to the Pentagon, for national defense. Stockman knew that this share would be rising in the next four years, not shrinking, perhaps becoming as high as thirty cents. Another ten cents was consumed by interest payments on the national debt, which was fast approaching a trillion dollars.

That left seventeen cents for everything else that Washington does. The FBI and the national parks, the county agents and the Foreign Service and the Weather Bureau—all the traditional operations of government—consumed only nine cents of the dollar. The remaining eight cents provided all of the grants to state and local governments, for aiding handicapped children or building highways or installing tennis courts next to

Al Stockman's farm. One might denounce particular programs as wasteful, as unnecessary and ineffective, even crazy, but David Stockman knew that he could not escape these basic dimensions of federal spending.

As he and his staff went looking for the \$40 billion, they found that most of it would have to be taken from the seventeen cents that covered government operations and grants-in-aid. Defense was already off-limits. Next Ronald Reagan laid down another condition for the budget-cutting: the main benefit programs of Social Security, Medicare, veterans' checks, railroad retirement pensions, welfare for the disabled—the so-called "social safety net" that Reagan had promised not to touch—were to be exempt from the budget cuts. In effect, he was declaring that Stockman could not tamper with three fourths of the forty-eight cents devoted to transfer payments.

No President had balanced the budget in the past twelve years. Still, Stockman thought it could be done by 1984, if the Reagan Administration adhered to the principle of equity, cutting weak claims, not merely weak clients, and if it shocked the system sufficiently to create a new political climate. He still believed that it was not a question of numbers. "It boils down to a political question, not of budget policy or economic policy, but whether we can change the habits of the political system."

The struggle began in private, with Ronald Reagan's Cabinet. By inaugural week, Stockman's staff had assembled fifty or sixty policy papers outlining major cuts and alterations, and, aiming at the target of \$40 billion, Stockman was anxious to win fast approval for them, before the new Cabinet officers were fully familiar with their departments and prepared to defend their bureaucracies. During the first week, the new Cabinet members had to sit through David Stockman's recital—one proposal after another outlining drastic reductions in their programs. Brief discussion was followed by presidential approval. "I have a little nervousness about the heavy-handedness with which I am being forced to act," Stockman conceded. "It's not that I wouldn't want to give the decision papers to the Cabinet members ahead of time so they could look at them, it's just that we're getting them done at eight o'clock in the morning and rushing them to the Cabinet room . . . It doesn't work when you have to brace these Cabinet officers in front of the President with severe reductions in their agencies, because then they're in the position of having to argue against the group line. And the group line is cut, cut, cut. So that's a very awkward position for them, and you make them resentful very fast."

Stockman proposed to White House counselor Edwin Meese an alternative approach—a budget working group, in which each Cabinet secretary could review the proposed cuts and argue against them. As the group evolved, however, with Meese, chief of staff James Baker, Treasury Secretary Donald Regan, and policy director Martin Anderson, among others, it was stacked in Stockman's favor. "Each meeting will involve only the relevant Cabinet member and his aides with four or five strong keepers of the central agenda," Stockman explained at one point. "So on Monday, when we go into the decision on synfuels programs, it will be [Energy Secretary James B.] Edwards defending them against six guys saying that, by God, we've got to cut these back or were not going to have a savings program that will add up."

In general, the system worked. Stockman's agency did in a few weeks what normally consumes months; the process was made easier because the normal opposition forces had no time to marshal either their argu-

ments or their constituents and because the President was fully in tune with Stockman. After the budget working group reached a decision, it would be taken to Reagan in the form of a memorandum, on which he could register his approval by checking a little box. "Once he checks it," Stockman said, "I put that in my safe and I go ahead and I don't let it come back up again."

The check marks were given to changes in twelve major budget entitlements and scores of smaller ones. Eliminate Social Security minimum benefits. Cap the runaway costs of Medicaid. Tighten eligibility for food stamps. Merge the trade adjustment assistance for unemployed industrial workers with standard unemployment compensation and shrink it. Cut education aid by a quarter. Cut grants for the arts and humanities in half. "Zero out" CETA and the Community Services Administration and National Consumer Cooperative Bank. And so forth. "Zero out" became a favorite phrase of Stockman's; it meant closing down a program "cold turkey," in one budget year. Stockman believed that any compromise on a program that ought to be eliminated—funding that would phase it out over several years—was merely a political ruse to keep it alive, so it might still be in existence a few years hence, when a new political climate could allow its restoration to full funding.

"I just wish that there were more hours in the day or that we didn't have to do this so fast. I have these stacks of briefing books and I've got to make decisions about specific options . . . I don't have time, trying to put this whole package together in three weeks, so you just start making snap judgments."

In the private deliberations, Stockman began to encounter more resistance from Cabinet members. He was proposing to cut \$752 million from the Export-Import Bank, which provides subsidized financing for international trade—a cut of crucial symbolic importance, because of Stockman's desire for equity. Two thirds of the Ex-Im's direct loans benefit some of America's major manufacturers—Boeing, Lockheed, General Electric, Westinghouse, McDonnell Douglas, Western Electric, Combustion Engineering—and, not surprisingly, the program had a strong Republican constituency on Capitol Hill. Stockman thought the trade subsidies offended the free-market principles that all conservatives espouse—in particular, President Reagan's objective of withdrawing Washington from business decision-making. Supporters of the subsidies made a practical argument: the U.S. companies, big as they were, needed the financial subsidies to stay even against government-subsidized competition from Europe and Japan.

The counter-offensive against the cut was led by Commerce Secretary Malcolm Baldrige and U.S. Trade Representative William Brock, who argued eloquently before the budget working group for a partial restoration of Ex-Im funds. By Stockman's account, the two "fought, argued, pounded the table," and the meeting seemed headed for deadlock. "I sort of innocently asked, well, isn't there a terrible political spin on this? It's my impression that most of the money goes to a handful of big corporations, and if we are ever caught not cutting this while we're biting deeply into the social programs, we're going to have big problems." Stockman asked if anyone at the table had any relevant data. Deputy Secretary of the Treasury Tim McNamar thereupon produced a list of Ex-Im's major beneficiaries (a list that Stockman had given him before the meeting). "So then I went into this demagogic tirade about how in the world can I cut food stamps and social services and CETA jobs and EDA jobs and you're going to tell me you can't give up one penny for Boeing?"

Stockman won that argument, for the moment. But, as with all the other issues in the budget debate, the argument was only beginning. "I've got to take something out of Boeing's hide to make this look right . . . You can measure me on this, because I'll probably lose but I'll give it a helluva fight."

Stockman also began what was to become a continuing struggle, occasionally nasty, with the new secretary of energy. Edwards, a dentist from South Carolina, was ostensibly appointed to dismantle the Department of Energy, as Reagan had promised, but when Stockman proposed cutting the department in half, virtually eliminating the vast synthetic-fuels program launched by the Carter Administration, Edwards argued in defense. In the midst of the battle, Stockman said contemptuously, "I went over to DOE the other day and here's a whole roomful of the same old bureaucrats I've been kicking around for the last five years—advising Edwards on why we couldn't do certain things on oil decontrol that I wanted to do." The relationship did not improve as the two men got to know each other better.

But Stockman felt only sympathy for Secretary of Agriculture John Block, an Illinois farmer. The budget cuts were hitting some of Agriculture's principal subsidy programs. A billion dollars would be cut from dairy-price supports. The Farmers Home Administration loans and grants were to be sharply curtailed. The low-interest financing for rural electric cooperatives and the Tennessee Valley Authority would be modified.

In the early weeks of the new administration, the peanut growers and their congressional lobby had campaigned, as they did every year, to have the new secretary of agriculture raise the price-support level for peanuts. Stockman told Block he would have to refuse—for Stockman wanted to abolish the program. "I sympathize with Jack Block," Stockman said. "I forced him into a position that makes his life miserable over there. He's on the central team, he's not a departmental player, but the parochial politics of that department are fierce." Victories over farm lobbies could be won, Stockman believed, if he kept the issues separate—attacking each commodity program in turn, and undermining urban support by cutting the food and nutrition programs. "My strategy is to come in with a farm bill that's unacceptable to the farm guys so that the whole thing begins to splinter." An early test vote on milk-price supports seemed to confirm the strategy—the dairy farmers lobbied and lost.

The only cabinet officer Stockman did not challenge was, of course, the secretary of defense. In the frantic preparation of the Reagan budget message, delivered in broad outline to Congress on February 18, the OMB review officers did not give even their usual scrutiny to the new budget projections from Defense. Reagan had promised to increase military spending by 7 percent a year, adjusted for inflation, and this pledge translated into the biggest peacetime arms buildup in the history of the republic—\$1.6 trillion over the next five years, which would more than double the Pentagon's annual budget while domestic spending was shrinking. Stockman acknowledged that OMB had taken only a cursory glance at the new defense budget, but he was confident that later on, when things settled down a bit, he could go back and analyze it more carefully.

In late February, months before the defense budget became a subject of Cabinet debate, Stockman privately predicted that Defense Secretary Caspar Weinberger, himself a budget director during the Nixon years, would be an ally when he got around to cutting back military spending. "As soon as we get past this first phase in the process, I'm really going to go after the Pentagon.

The whole question is blatant inefficiency, poor deployment of manpower, contracting idiocy, and, hell, I think that Cap's going to be a pretty good mark over there. He's not a tool of the military-industrial complex. I mean, he hasn't been steeped in its excuses and rationalizations and ideology for twenty years, and I think that he'll back off on a lot of this stuff, but you just can't challenge him head-on without your facts in line. And we're going to get our case in line and just force it through the presses."

Stockman shared the general view of the Reagan Administration that the United States needed a major build-up of its armed forces. But he also recognized that the Pentagon, as sole customer for weapons systems, subsidized the arms manufacturers in many direct ways and violated many free-market principles. "The defense budgets in the out-years won't be nearly as high as we are showing now, in my judgment. Hell, I think there's a kind of swamp of \$10 to \$20 to \$30 billion worth of waste that can be ferreted out if you really push hard."

Long before President Reagan's speech to Congress, most of the painful details of the \$41.4 billion in proposed reductions were already known to Capitol Hill and the public. In early February, preparing the political ground, Stockman started delivering his "black book" to Republican leaders and committee chairmen. He knew that once the information was circulating on the Hill, it would soon be available to the news media, and he was not at all upset by the daily storm of headlines revealing the dimensions of what lay ahead. The news conveyed, in its drama and quantity of detail, the appropriate political message: President Reagan would not be proposing business as usual. The President had in mind what Stockman saw as "fiscal revolution."

But it was not generally understood that the new budget director had already lost a major component of his revolution—another set of proposals, which he called "Chapter II," that was not sent to Capitol Hill because the President had vetoed its most controversial elements.

Stockman had thought "Chapter II" would help him on two fronts: it would provide substantially increased revenues and thus help reduce the huge deficits of the next three years; but it would also mollify liberal critics complaining about the cuts in social welfare, because it was aimed primarily at tax expenditures (popularly known as "loopholes") benefiting oil and other business interests. "We have a gap which we couldn't fill even with all these budget cuts, too big a deficit," Stockman explained. "Chapter II comes out totally on the opposite of the equity question. That was part of my strategy to force acquiescence at the last minute into a lot of things you'd never see a Republican administration propose. I had a meeting this morning at the White House. The President wasn't involved, but all the other key senior people were. We brought a program of additional tax savings that don't touch any social programs. But they touch tax expenditures." Stockman hesitated to discuss details, for the package was politically sensitive, but it included elimination of the oil-depletion allowance; an attack on tax-exempt industrial-development bonds; user fees for owners of private airplanes and barges; a potential ceiling on home-mortgage deductions (which Stockman called a "mansion cap," since it would affect only the wealthy); some defense reductions; and other items, ten in all. Total additional savings: somewhere in the neighborhood of \$20 billion. Stockman was proud of "Chapter II" and also very nervous about it, because, while liberal Democrats might applaud the closing of "loopholes" that they had attacked for years, powerful lobbies—in Congress and business—would mobilize against it.

Did President Reagan approve? "If there's a consensus on it, he's not going to buck it, probably."

Two weeks later, Stockman cheerfully explained that the President had rejected his "tax-expenditures" savings. The "Chapter II" issues had seemed crucial to Stockman when he was preparing them, but he dismissed them as inconsequential now that he had lost. "Those were more like ornaments I was thinking of on the tax side," he insisted. "I call them equity ornaments. They're not really too good. They're not essential to the economics of the thing."

The President was willing to propose user fees for aircraft, private boats, and barges, but turned down the proposal to eliminate the oil-depletion allowance. "The President has a very clear philosophy," Stockman explained. "A lot of people criticize him for being short on the details, but he knows when something's wrong. He just jumped all over my tax proposals."

Stockman dropped other proposals. Nevertheless, he was buoyant. The reactions from Capitol Hill were clamorous, as expected, but the budget director was more impressed by the silences, the stutter and hesitation of the myriad interest groups. Stockman was becoming a favorite caricature for newspaper cartoonists—the grim reaper of the Reagan Administration, the Republican Robespierre—but in his many sessions on the Hill he sensed confusion and caution on the other side.

"There are more and more guys coming around to our side," he reported. "What's happening is that the plan is so sweeping and it covers all the bases sufficiently, so that it's like a magnifying glass that reveals everybody's pores. . . . In the past, people could easily get votes for their projects or their interests by saying, well, if they would cut food stamps and CETA jobs and two or three other things, then maybe we would go along with it, but they are just picking on my program. But, now, everybody perceives that everybody's sacred cows are being cut. If that's what it takes, so be it. The parochial player will not be the norm, I think. For a while."

III. THE MAGIC ASTERISK

On Capitol Hill, ideological consistency is not a highly ranked virtue but its absence is useful grounds for scolding the opposition. David Stockman endured considerable needling when his budget appeared, revealing that many programs that he had opposed as a congressman had survived. The most glaring was the fast-breeder nuclear reactor at Clinch River, Tennessee. Why hadn't Stockman cut the nuclear subsidy that he had so long criticized? The answer was Senator Howard Baker, of Tennessee, majority leader. "I didn't have to get rolled," Stockman said, "I just got out of the way. It just wasn't worth fighting. This package will go nowhere without Baker, and Clinch River is just life or death to Baker. A very poor reason, I know."

Consistency, he knew, was an important asset in the new environment. The package of budgets cuts would be swiftly picked apart if members of Congress perceived that they could save their pet programs, one by one, from the general reductions. "All those guys are looking for ways out," he said. "If they can detect an alleged pattern of preferential treatment for somebody else or discriminatory treatment between rural and urban interests or between farm interests and industrial interests, they can concoct a case for theirs."

Even by Washington standards, where overachieving young people with excessive adrenalin are commonplace, Stockman was busy. Back and forth, back and forth he went, from his vast office at the Old Executive Office Building, with its classic high ceilings and its fireplace, to the cloakrooms and hideaway offices and hearing chambers of the

Capitol, to the West Wing of the White House. Usually, he carried an impossible stack of books and papers under his arm, like a harried high school student who has not been given a locker. He promised friends he would relax—take a day off, or at least sleep later than 5 a.m., when he usually arose to read policy papers before breakfast. But he did not relax easily. What was social life compared with the thrill of reshaping the federal establishment?

In the early skirmishing on Capitol Hill, Stockman actually proposed a tight control system: Senator Baker and the House Republican leader, Robert Michel, of Illinois, would be empowered to clear all budget trades on particular programs—and no one else, not even the highest White House advisers, could negotiate any deals. "If you have multiple channels for deals to be cut and retreats to be made," Stockman explained, "then it will be possible for everybody to start side-dooring me, going in to see Meese, who doesn't understand the policy background, and making the case, or [James] Baker making a deal with a subcommittee chairman." Neither the White House nor the congressional leadership liked his idea, and it was soon buried.

By March, however, Stockman could see the status quo yielding to the shock of the Reagan agenda. In dozens of meetings and hearings, public and private, Stockman perceived that it was now inappropriate for a senator or a congressman to plead for his special interests, at least in front of other members with other interests. At one caucus, a Tennessee Republican began to lecture him on the reduced financing for TVA; other Republicans scolded him. Stockman cut public-works funding for the Red River project in Louisiana, which he knew would arouse Russell Long, former chairman of the Senate Finance Committee. Long appealed personally at the White House, and Reagan stood firm.

One by one, small signals such as these began to change Stockman's estimate of the political struggle. He began to believe that the Reagan budget package, despite its scale, perhaps because of its scale, could survive in Congress. With skillful tactics by political managers, with appropriate public drama provided by the President, the relentless growth rate of the federal budget, a permanent reality of Washington for twenty years, could actually be contained.

Stockman's analysis was borne out a few weeks later, in early April, when the Senate adopted its first budget-cutting measures, 88-10, a package close enough to the administration's proposals to convince Stockman of the vulnerability of "constituency-based" politics. "That could well be a turning point in this whole process," Stockman said afterward.

Still, Stockman was even more impressed by the performance of the new Republican majority in the Senate. After a week of voting down amendments to restore funds for various programs—"voting against every motherhood title," as Stockman put it—moderate Republicans from the Northeast and Midwest needed some sort of political solace. Led by Senator John Chafee, of Rhode Island, the moderates proposed an amendment spreading about \$1 billion over an array of social programs, from education to home-heating assistance for the poor. Stockman had no objection. The amendment wouldn't cost much overall, and it would "take care of those people who have been good soldiers." Senator Pete Domenici, of New Mexico, the Senate budget chairman, decided, however, that the accommodation wasn't necessary, and he was right. The Chafee amendment lost.

"It was the kind of amendment that should have passed," Stockman reflected afterward. "The fact that it didn't win tells me that the political logic has changed."

Not entirely, however. While the Senate majority was rejecting additional money for the coalition of social programs, it was also tinkering with an important item in Stockman's balance of equitable cuts—the Export-Import Bank. The great multinational industrial firms that received the trade subsidies from Ex-Im were already at work, arguing that U.S. sales abroad and jobs at home would suffer without the Ex-Im loans and guarantees. The Republicans, led by Senator Nancy Kassebaum, of Kansas, where Boeing is a major employer, voted to restore \$250 million to the Ex-Im budget. Later, the House raised the figure even higher, with little resistance from the White House.

"We weren't really closely in control," Stockman explained. "The mark-up went so fast, and those amendments came out of the woodwork, and we weren't prepared to deal with it." Stockman seemed nonchalant about his defeat. The principle of cutting the Ex-Im's corporate subsidies, which had seemed so important to him in January, was now regarded as a minor blemish on the Senate victory. "It did open a little breach that is troublesome," he conceded.

The vulnerability of Stockman's ideology was always that the politics of winning would overwhelm the philosophical premises. But after the Senate victory, Stockman devoted his energy to the tactical questions—winning again in the House of Representatives, which was controlled by the Democrats. "This is pure politics," he said. "It's a question of whether the President can prevail on the floor of the House, because if he can't, then the committee chairmen know they have license to do anything they want."

Stockman watched with admiration as his principal intellectual rival, Jim Jones, the Democratic chairman of the House Budget Committee, attempted to fashion a budget resolution that would hold the Democratic majority together. The budget director calculated that Jones had an impossible task, but he could see that the Oklahoma congressman was going to come closer than he had expected. The Democrats, by Stockman's analysis, were really three groups: the old-line liberal faithful, who would follow the party leadership and defend against any or all budget cuts; a middle group, including Jones and other younger members, who recognized that federal deficits were out of control and were willing to confront the problem (Stockman referred to them as "the progressives"); and, finally, the "boll weevils," the thirty-eight southerners who were pulled toward Reagan both in conservative philosophy and by the politics of their home districts, which had voted overwhelmingly for the President. Jones was drawing up a resolution that would restore some funds to social programs, to keep the liberals happy; that projected a smaller deficit than Stockman's, to appear more responsible in fiscal terms; and that did not touch the defense budget, which would offend the southerners.

Artful as it was, the Jones resolution was, according to Stockman, a series of gimmicks: economic estimates and accounting tricks. "Political numbers," he called them. But Stockman was not critical of Jones for these budget ploys, because he cheerfully conceded that the administration's own budget numbers were constructed on similar shaky premises, mixing cuts from the original 1981 budget left by Jimmy Carter with new baseline projections from the Congressional Budget Office in a way that, fundamentally, did not add up. The budget politics of 1981, which produced such clear and dramatic rhetoric from both sides, was, in fact, based upon a bewildering set of numbers that confused even those, like Stockman, who produced them.

"None of us really understands what's going on with all these numbers," Stockman

confessed at one point. "You've got so many different budgets out and so many different baselines and such complexity now in the interactive parts of the budget between policy action and the economic environment and all the internal mysteries of the budget, and there are a lot of them. People are getting from A to B and it's not clear how they are getting there. It's not clear how we got there, and it's not clear how Jones is going to get there."

These "internal mysteries" of the budget process were not dwelt upon by either side, for there was no point in confusing the clear lines of political debate with a much deeper and unanswerable question: Does anyone truly understand, much less control, the dynamics of the federal budget intertwined with the mysteries of the national economy? Stockman pondered this question occasionally, but since there was no obvious remedy, no intellectual construct available that would make sense of this anarchical universe, he was compelled to shrug at the mystery and move ahead. "I'm beginning to believe that history is a lot shakier than I ever thought it was," he said, in a reflective moment. "In other words, I think there are more random elements, less determinism and more discretion, in the course of history than I ever believed before. Because I can see it."

The "random elements" were working in Stockman's behalf in the House of Representatives. He had a good fix on what Jones would produce as the Democratic alternative, in part because he had a spy in the Democratic meetings—Phil Gramm, of Texas, a like-minded conservative and friend who agreed to co-sponsor the administration's substitute resolution. Did Jones know that one of his Democratic committee members was really on the other side? "No," said Stockman. "That's how I know what's in Jones's budget."

Stockman was also dealing with the recognized leaders of the "boll weevils." He thought that the southerners could be won to the President's side with a minimum of trading, but he was prepared to trade. He agreed with G. V. "Sonny" Montgomery, chairman of the House Veterans' Affairs Committee and a genuine leader among the southern Democrats, to acquiesce in the restoration of \$350 to \$400 million for staffing at veterans' hospitals. Once Montgomery announced he was with the President, it would be a respectable position, which other southerners could embrace, Stockman felt. Still, he was confident that he could defend the agenda against general trading for votes.

In political terms, Stockman's analysis was sound. The Reagan program was moving toward a series of dramatic victories in Congress. Beyond the brilliant tactical maneuvering, however, and concealed by the public victories, Stockman was privately staring at another reality—a gloomy portent that the economic theory behind the President's program wasn't working. While it was winning in the political arena, the plan was losing on Wall Street.

The financial markets, which Stockman had thought would be reassured by the new President's bold actions, and which were supposed to launch a historic "bull market" in April, failed to respond in accordance with Stockman's script. The market not only failed to rally, they went into a new decline. Interest rates started up again; the bond market slumped. The annual inflation rate, it was true, was declining, dropping below double digits, but even Stockman acknowledged that this was owing to "good luck" with grain harvests and world oil supplies, not to Reaganomics. Investment analysts, however, were looking closely at the Stockman budget figures, looking beyond the storm of political debate and the President's winning style, and what they saw were enor-

mous deficits ahead—the same numbers that had shocked David Stockman when he came into office in January. Henry Kaufman, of Salomon Brothers, one of the preeminent prophets of Wall Street, delivered a sobering speech that, in the cautious language of financiers, said the same thing that John Anderson had said in 1980: cutting taxes and pumping up the defense budget would produce not balanced budgets but inflationary deficits.

Was Kaufman right? Stockman agreed that he was, and conceded that his own original conception—that dramatic political action would somehow alter the marketplace expectations of continuing inflation—had been wrong. "They're concerned about the out-year budget posture, not about the near-term economic situation. The Kaufmans don't dispute our diagnosis at all. They dispute our remedy. They don't think it adds up . . . I take the performance of the bond market deadly seriously. I think it's the best measure there is. The bond markets represent worldwide psychology, worldwide perception and evaluation of what, on balance, relevant people think about what we're doing . . . It means we're going to have to make changes . . . I wouldn't say we are losing. We're still not winning. We're not winning."

The underlying problem of the deficits first surfaced, to Stockman's embarrassment, in the Senate Budget Committee in mid-April, when committee Republicans choked on the three-year projections supplied by the nonpartisan Congressional Budget Office. Three Republican senators refused to vote for a long-term budget measure that predicted continuing deficits of \$60 billion, instead of a balanced budget by 1984.

Stockman thought he had taken care of embarrassing questions about future deficits with a device he referred to as the "magic asterisk." (Senator Howard Baker had dubbed it that in strategy sessions, Stockman said.) The "magic asterisk" would blithely denote all of the future deficit problems that were to be taken care of with additional budget reductions, to be announced by the President at a later date. Thus, everyone could finesse the hard questions, for now.

But, somehow or other, the Senate Budget Committee staff insisted upon putting the honest numbers in its resolution—the projected deficits of \$60 billion-plus running through 1984. That left the Republican senators staring directly at the same scary numbers that Stockman and the Wall Street analysts had already seen. The budget director blamed this brief flare-up on the frantic nature of his schedule. When he should have been holding hands with the Senate Budget Committee, he was at the other end of the Capitol, soothing Representative Delbert Latta, of Ohio, the ranking Republican in budget matters, who was pouting. Latta thought that since he was a Republican, his name should go ahead of that of Phil Gramm, a Democrat, on the budget resolution: that it should be Latta-Gramm instead of Gramm-Latta.

After a few days of reassurances, Stockman persuaded the Republican senators to relax about the future and two weeks later they passed the resolution—without being given any concrete answers as to where he would find future cuts of such magnitude. In effect, the "magic asterisk" sufficed.

But the real problem, as Stockman conceded, was still unsolved. Indeed, pondering the reactions of financial markets, the budget director made an extraordinary confession in private: the original agenda of budget reductions, which had seemed so radical in February, was exposed by May as inadequate. The "magic asterisk" might suffice for the political debate in Congress, but it would not answer the fundamental question asked by Wall Street: How, in fact, did Ronald

Reagan expect to balance the federal budget? "It's a tentative judgment on the part of the markets and of spokesmen like Kaufman that is reversible because they haven't seen all our cards. From the cards they've seen, I suppose that you can see how they draw that conclusion."

"It means," Stockman said, "that you have to have some recalibration in the policy. The thing was put together so fast that it probably should have been put together differently." With mild regret, Stockman looked back at what had gone wrong:

"The defense numbers got out of control and we were doing that whole budget-cutting exercise so frenetically. In other words, you were juggling details, pushing people, and going from one session to another, trying to cut housing programs here and rural electric there, and we were doing it so fast, we didn't know where we were ending up for sure . . . In other words, we should have designed those pieces to be more compatible. But the pieces were moving on independent tracks—the tax program, where we were going on spending, and the defense program, which was just a bunch of numbers written on a piece of paper. And it didn't quite mesh. That's what happened. But, you see, for about a month and a half we got away with that because of the novelty of all these budget reductions."

Reagan's policy-makers knew that their plan was wrong, or at least inadequate to its promised effects, but the President went ahead and conveyed the opposite impression to the American public. With the cool sincerity of an experienced television actor, Reagan appeared on network TV to rally the nation in support of the Gramm-Latta resolution, promising a new era of fiscal control and balanced budgets, when Stockman knew they still had not found the solution. This practice of offering the public eloquent reassurances despite privately held doubts was not new, of course. Every contemporary President—starting with Lyndon Johnson, in his attempt to cover up the true cost of the war in Vietnam—had been caught, sooner or later, in contradictions between promises and economic realities. The legacy was a deep popular skepticism about anything a President promised about the economy. Barely four months in office, Ronald Reagan was already adding to the legacy.

Indeed, Stockman began in May to plot what he called the "recalibration" of Reagan policy, which he hoped could be executed discreetly over the coming months to eliminate the out-year deficits for 1983 and 1984 that alarmed Wall Street—without alarming political Washington and losing control in the congressional arena. "It's very tough, because you don't want to end up like Carter, where you put a plan out there and then, a month into it, you visibly and unmistakably change postures. So what you have to do is solve this problem incrementally, without the appearance of reversal, and there are some ways to do that."

Stockman saw three main areas of opportunity for closing the gap: defense, Social Security, and health costs, meaning Medicare and Medicaid. And there was a fourth: the Reagan tax cut; if it could be modified in the course of the congressional negotiations already under way, this would make for additional savings on the revenue side. The public alarm over the deficits was, to some extent, "fortuitous," from Stockman's viewpoint, because the Wall Street message supported the sermon that he was delivering to his fellow policy-makers at the White House: the agonies of budget reduction were only beginning, and, more to the point, the Reagan Administration could not keep its promise of balanced budgets unless it was willing to back away from its promised defense spending, its 10-10-10 tax-cut plan, and the President's pledge to exempt from

cutbacks the so-called "safety-net" programs. Stockman would deliver this speech, in different forms, all through the summer ahead, trying to create the leverage for action on those fronts, particularly on defense. He later explained his strategy:

"I put together a list of twenty social programs that have to be zeroed out completely, like Job Corps, Head Start, women and children's feeding programs, on and on. And another twenty-five that have to be cut by 50 percent: general revenue sharing, CETA manpower training, et cetera, et cetera. And then huge bites that would have to be taken out of Social Security. I mean really fierce, blood-and-guts stuff—widows' benefits and orphans' benefits, things like that. And still it didn't add up to \$40 billion. So that sort of created a new awareness of the defense budget."

"Once you set aside defense and Social Security, the Medicare complex, and a few other sacred cows of minor dimension, like the VA and the FB, you have less than \$200 billion worth of discretionary room—only \$144 billion after you cut all the easy discretionary programs this year."

In short, the fundamental arithmetic of the federal budget, which Stockman and others had brushed aside in the heady days of January, was now back to haunt them. If the new administration would not cut defense or Social Security or major "safety-net" programs that Reagan had put off limits, then it must salvage the smaller slice remaining. Otherwise, balancing the budget in 1984 became an empty promise. The political pain of taking virtually all of the budget savings from government grants and operations would be too great, Stockman believed; Congress would never stand for it. Therefore, he had to begin educating "the West Wing guys" on the necessity for major revisions in their basic plan. He was surprisingly optimistic. "They are now understanding all those things," Stockman said. "A month ago, they didn't. They really thought you could find \$144 billion worth of waste, fraud, and abuse. So at least I've made a lot of headway internally."

Revisions of the original tax-cut plan would probably be the easiest compromise. A modest delay in the effective date would save billions and, besides, many conservatives in Congress were never enthusiastic about the supply-side tax-cutting formula. In order to win its passage, the administration was "prepared to give a little bit on the tax bill," Stockman said, which would help cure his problem of deficits.

Social Security was much more volatile, but Stockman noted that the Senate had already expressed a willingness in test votes to reconsider such basic components as annual cost-of-living increases for retirees. In the House, the Democrats, led by J. J. Pickle, of Texas, were preparing their own set of reforms to keep the system from bankruptcy, so Stockman thought it would be possible to develop a consensus for real changes. He didn't much care for Pickle's proposals, because the impact of the reforms stretched out over some years, whereas Stockman was looking for immediate relief. "I'm just not going to spend a lot of political capital solving some other guy's problems in 2010." But he felt sure a compromise could be worked out. "If you don't do this in 1981, this system is going to land on the rocks," he predicted, "because you won't do it in '82 [a congressional election year] and by '83, you will have solvency problems coming out of your ears. You know, sometimes sheer reality has a sobering effect."

Finally, there was defense. Stockman thought the sobering effects of reality were working in his favor there, too, but he recognized that the political tactics were much trickier. In order to get the first round of

budget cuts through Congress, particularly in order to lure the southern Democrats to the President's side, there must be no hint of retreat from Reagan's promises for the Pentagon. That would mobilize the defense lobby against him and help the Democrats hold control of the House. Still, when the timing was right, Stockman thought he would prevail.

"They got a blank check," Stockman admitted. "We didn't have time during that February-March period to do anything with defense. Where are we going to cut? Domestic? Or struggle all day and night with defense? So I let it go. But it worked perfectly, because they got so greedy that they got themselves strung way out there on a limb."

As policy-makers and politicians faced up to the additional cuts required in programs, the pressure would lead them back, inevitably, to a tough-minded re-examination of the defense side. Or so Stockman believed. That combination of events, he suggested, would complete the circle for Wall Street.

"The markets will respond to that. Unless they are absolutely perverse."

IV. OLD POLITICS

The President's televised address, in April, was masterly and effective: the nation responded with a deluge of mail and telephone calls, and the House of Representatives accepted Reagan's version of budget reconciliation over the Democratic alternative. The final roll call on the Gramm-Latta resolution was not even close, with sixty-three Democrats joining all House Republicans in support of the President. The stunning victory and the disorganized opposition from the Democrats confirmed for Stockman a political hunch he had first developed when he saw the outlines of Representative Jim Jones' resolution, mimicking the administration's budget-cutting. The 1980 election results may not have been "ideological," but the members of Congress seemed to be interpreting them that way.

This new context, Stockman felt, would be invaluable for the weeks ahead, as the budget-and-tax issues moved into the more complicated and vulnerable areas of action. The generalized budget-cutting instructions voted by the House were now sent to each of the authorizing committees, most of them chaired by old-line liberal Democrats who would try to save the programs in their jurisdictions, but their ability to counterattack was clearly limited by the knowledge that President Reagan, not Speaker Tip O'Neill, controlled the floor of the House. Stockman expected the Democratic chairmen to employ all of their best legislative tricks to feign cooperation while actually undermining the Reagan budget cuts, but he was already preparing another Republican resolution, dubbed "Son of Gramm-Latta," to make sure the substantive differences were maintained—the block grants that melded social programs and turned them over to the states, the "caps" on Medicaid and other open-ended entitlement programs, the "zeroing out" of others.

In the first round, Stockman felt that he had retreated on very little. He made the trade with Representative Montgomery on VA hospitals, and his old friend Representative Gramm had restored some "phase-out" funds for EDA, the agency Stockman so much wished to abolish. "He put it in there over my objections," Stockman explained, "because he needed to keep three or four people happy. I said okay, but we're not bound by it." The Republican resolution also projected a lower deficit than Stockman thought was realistic, as a tactical necessity. "Gramm felt he couldn't win on the floor unless they had a lower deficit, closer to Jones's deficit, so they got it down to \$31 billion by hook or by crook, mostly the latter."

Stockman was supremely confident at that point. The Reagan Administration had taken

the measure of its political opposition and had created a new climate in Washington, a new agenda. Now what remained was to follow through in a systematic way that would convince the financial markets. In the middle of May, he made another prediction: the bull market on Wall Street, the one he had expected in April, would arrive by late summer or early fall.

"I think we're on the verge of the response in the financial markets. It takes one more piece of the puzzle, resolution of the tax bill. And that may happen relatively quickly, and when it does, I think you'll start a long bull market, by the end of the summer and early fall. The reinforcement that the President got politically in the legislative process will be doubled, barring some new war in the Middle East, by a perceived economic situation in which things are visibly improving. I'm much more confident now."

Stockman was wrong, of course, about the bull market. But his misinterpretation of events was more profound than that. Without recognizing it at the time, the budget director was headed into a summer in which not only financial markets but life itself seemed to be absolutely perverse. The Reagan program kept winning in public, a series of well-celebrated political victories in Congress—yet privately Stockman was losing his struggle.

Stockman was changing, in a manner that perhaps he himself did not recognize. His conversations began to reflect a new sense of fatalism, a brittle edge of uncertainty.

"There was a certain dimension of our theory that was unrealistic. . . ."

"The system has an enormous amount of inertia. . . ."

"I don't believe too much in the momentum theory any more. . . ."

"I have a new theory—there are no real conservatives in Congress. . . ."

The turning point, which Stockman did not grasp at the time, came in May, shortly after the first House victory. Buoyed by the momentum, the White House put forward, with inadequate political soundings, the Stockman plan for Social Security reform. Among other things, it proposed a drastic reduction in the benefits for early retirement at age sixty-two. Stockman thought this was a privilege that older citizens could comfortably yield, but 64 percent of those eligible for Social Security were now taking early retirement, and the "reform" plan set off a sudden tempest on Capitol Hill. Democrats accused Reagan of renegeing on his promise to exempt Social Security from the budget cuts and accused Stockman of trying to balance his budget at the expense of Social Security recipients, which, of course, he was. "The Social Security problem is not simply one of satisfying actuaries," Stockman conceded. "It's one of satisfying the here-and-now of budget requirements." In the initial flurry of reaction, the Senate passed a unanimous resolution opposing the OMB version of how to reform Social Security, and across the nation, the elderly were alarmed enough to begin writing and calling their representatives in Congress. But Stockman seemed not to grasp the depth of his political problem; he still believed that congressional reaction would quiet down eventually and Democrats would cooperate with him.

"Three things," he explained. "First, the politicians in the White House are overreacting. They're overly alarmed. Second, there is a serious political problem with it, but not of insurmountable dimensions. And third, basically I screwed up quite a bit on the way the damn thing was handled."

Stockman said that Republicans on Ways and Means were urging him to propose an administration reform plan as an alternative to the Democrats'; Stockman misjudged the political climate. The White House plan, put together in haste, had "a lot of technical

bloopers," which made it even more vulnerable to attack, Stockman said. "I was just racing against the clock. All the office things I knew ought to be done by way of groundwork, advance preparation, and so forth just fell by the wayside. . . . Now we're taking the flak from all the rest of the Republicans because we didn't inform them."

Despite the political uproar, Stockman thought a compromise would eventually emerge, because of the pressure to "save" Social Security. This would give him at least a portion of the budget savings he needed. "I still think we'll recover a good deal of ground from this. It will permit the politicians to make it look like they're doing something for the beneficiary population when they are doing something to it which they normally wouldn't have the courage to undertake."

But there was less "courage" among politicians than Stockman assumed. Indeed, one politician who scurried away from the President's proposed cuts in Social Security was the President. Stockman wanted him to go on television again, address the nation on Social Security's impending bankruptcy, and build a popular constituency for the changes. But White House advisers did not.

"The President was very interested [in the reform package] and he believed it was the right thing to do. The problem is that the politicians are so wary of the Social Security issue per se that they want to keep him away from it, thinking they could somehow have an administration initiative that came out of the boondocks somewhere and the President wouldn't be tagged with it. Well, that was just pure naive nonsense. . . . My view was, if you had to play this thing over, you should have the President go on TV and give a twenty-minute Fireside Chat, with some nice charts. . . . You could have created a climate in which major things could be changed."

The White House rejected that idea. Ronald Reagan kept his distance from the controversy, but it would not go away. In September, Reagan did finally address the issue in a televised chat with the nation: he disowned Stockman's reform plan. Reagan said that there was a lot of "misinformation" about in the land, to the effect that the President wanted to cut Social Security. Not true, he declared, though Reagan had proposed such a cut in May. Indeed, the President not only buried the Social Security cut he had proposed earlier but retreated on one reform measure—elimination of the minimum benefits—that Congress had already, reluctantly, approved. As though he had missed the long debate on that issue, Reagan announced that it was never his intention to deprive anyone who was in genuine need. Any legislative action toward altering Social Security would be postponed until 1983, after the 1982 congressional elections, and too late to help Stockman with his stubborn deficits. In the meantime, Reagan accepted a temporary solution advocated by the Democrats and denounced by Stockman as "irresponsible"—borrowing from another federal trust fund that was in surplus, the health-care fund, to cover Social Security's problems. Everyone put the best face on it, including Stockman. The tactical retreat, they explained, was the only thing Reagan could do under the circumstances—a smart move, given the explosive nature of the Social Security protest. Still, it was a retreat, and, for David Stockman, a fundamental defeat. He lost one major source of potential budget savings. The political outcome did not suggest that he would do much better when he proposed reforms for Medicare, Social Security's twin.

Where would Stockman find the money to cover those deficits, variously estimated at \$44 to \$65 billion? The tax-cut legislation itself became one of Stockman's best hopes. The tax bargaining had begun in the spring

as a delicate process of private negotiations and reassurance with different groups—with Democrats needed for a House majority, with nervous Republicans still leery of the supply-side theology, and with the supply-side apostles zealously defending their creed. Stockman was a participant, though not the lead player, in this process; he met almost daily with the legislative tactical group at the White House—Edwin Meese, Jim Baker, Donald Regan, presidential assistant Richard Darman, and others—that called signals on both the tax legislation and budget reconciliation.

Stockman's interest was made clear to the others: he wanted a compromise on the tax bill which would substantially reduce its drain on the federal treasury and thus moderate the fiscal damage of Reaganomics. Stockman thought that if the Republicans could compromise with the Ways and Means chairman, Representative Dan Rostenkowski, the tax legislation would still be a supply-side tax cut in its approach but considerably smaller in size. More important, they would avoid a bidding war for votes. "We're kind of divided, not in an antagonistic sense, just sort of a judgment sense, between those who want to call off the game. . . . and those of us who want to give Rostenkowski a few more days to see what he can achieve."

The negotiations with Rostenkowski ended in failure, and the Reagan team agreed that it would have to modify its own tax-cut plan in order to lure fiscal conservatives. Under the revised plan, the first-year reduction was only 5 percent and, more important, the impact was delayed until late in the year, substantially reducing the revenue loss. The White House also made substantial changes in the business-depreciation and tax-credit rules, which were intended to stimulate new industrial investments, reducing the overly generous provisions for business tax write-offs on new equipment and buildings.

Stockman was privately delighted he saw a three-year revenue savings of \$70 billion in the compromise. The depreciation rules that big business wanted were "way out of joint," Stockman insisted. But he was nervous about the \$70 billion figure, because he feared that when Representative Jack Kemp (co-sponsor of the original supply-side tax proposal, the Kemp-Roth bill) and other supply-side advocates heard it, they might regard the savings as so large that it would undermine the stimulation effects of the major tax reduction. "As long as Jack is happy with what's happening," Stockman said, "it's hard for the [supply-side] network to mobilize itself with a shrill vote. Jack's satisfied, although we're sort of on the edge of thin ice with him."

The supply-side effects would be strong, Stockman said, but he added a significant disclaimer that would have offended true believers, for it sounded like old orthodoxy: "I've never believed that just cutting taxes alone will cause output and employment to expand."

Stockman himself had been a late convert to supply-side theology, and now he was beginning to leave the church. The theory of "expectations" wasn't working. He could see that. And Stockman's institutional role as budget director forced him to look constantly at aspects of the political economy that the other supply-siders tended to dismiss. Whatever the reason, Stockman was creating some distance between himself and the supply-side purists; eventually, he would become the target of their nasty barbs. For his part, Stockman began to disparage the grand theory as a kind of convenient illusion—new rhetoric to cover old Republican doctrine.

"The hard part of the supply-side tax cut is dropping the top rate from 70 to 50 percent—the rest of it is a secondary matter," Stockman explained. "The original argument was that the top bracket was too high, and that's having the most devastating effect on

the economy. Then, the general argument was that, in order to make this palatable as a political matter, you had to bring down all the brackets. But, I mean, Kemp-Roth was always a Trojan horse to bring down the top rate."

A Trojan horse? This seemed a cynical concession for Stockman to make in private conversation while the Reagan Administration was still selling the supply-side doctrine to Congress. Yet he was conceding what the liberal Keynesian critics had argued from the outset—the supply-side theory was not a new economic theory at all but only new language and argument to conceal a hoary old Republican doctrine: give the tax cuts to the top brackets, the wealthiest individuals and largest enterprises, and let the good effects "trickle down" through the economy to reach everyone else. Yes, Stockman conceded, when one stripped away the new rhetoric emphasizing across-the-board cuts, the supply-side theory was really new clothes for the unpopular doctrine of the old Republican orthodoxy. "It's kind of hard to sell 'trickle down,'" he explained, "so the supply-side formula was the only way to get a tax policy that was really 'trickle down.' Supply-side is 'trickle-down' theory."

But the young budget director once again misjudged the political context. The scaled-down version of the administration's tax bill would need to carry a few "ornaments" in order to win—a special ball-out to help the troubled savings-and-loan industry, elimination of the so-called marriage penalty—but he was confident that the Reagan majority would hold and he could save \$70 billion against those out-year deficits. The business lobbyists would object, he conceded, when they saw the new Republican version of depreciation allowances, but the key congressmen were "on board," and the package would hold.

In early June, it fell apart. The tax lobbyists of Washington, when they saw the outlines of the Reagan tax bill, mobilized the business community, the influential economic sectors from oil to real estate. In a matter of days, they created the political environment in which they flourish best—a bidding war between the two parties. First the Democrats revealed that their tax bill would be more generous than Reagan's in its depreciation rules. Despite Stockman's self-confidence, the White House quickly retreated—scrapped its revised and leaner proposal, and began matching the Democrats, billion for billion, in tax concessions. The final tax legislation would yield, in total, an astounding revenue loss for the federal government of \$750 billion over the next five years.

Stockman, with his characteristic ability to adjust his premises to new political realities, at first insisted that the White House cave-in on the business-depreciation issue was of no consequence to his budget problems, since the major impact of the concessions would hit the period 1985 and 1986, beyond the budget years he was struggling with.

Nevertheless, Stockman conceded that the administration had flinched, sending a clear signal to the political interests that it would respond to pressure. "I think we're in trouble on the tax bill," he said in mid-June, "because we started with the position that this was a policy-based bill. . . . that we weren't going to get involved in the tax-bill brokering of special-interest claims. But then we made the compromise. . . . my fear now is that, if we do that too many times, it becomes clear to the whole tax-lobby constituency in Washington that we will deal with them one at a time, and then you'll find their champions on the tax-writing committees, especially Finance, swinging into action, and we are going to end up back-pedaling so fast that we will have the 'Christmas tree' bill before we know it."

That was an astute forecast of what unfolded over the next six weeks. Stockman both participated in the process and privately denounced it. But he was not fully engaged in the political scramble for tax concessions, because he was preoccupied with controlling another political auction already under way: the furious bumping-and-trading for the final budget-cutting measure, the reconciliation bill. The thirteen authorizing committees of the House were drawing up the legislative parts to comply with the budget instructions voted by the House in May; simultaneously, the Republican minority members of those committees were drawing up their alternatives, which would become pieces of the administration's alternative—"Son of Gramm-Latta." Stockman was working closely with the Republican drafting in the House, but at the same time he was trying to keep the specific cuts and policy changes in line with the work of the Republican committee chairmen in the Senate. Stockman had a believable nightmare: if House and Senate produced drastically different versions of the final reconciliation measure, there could be a conference committee between the two chambers that would include hundreds of members and months of combat over the differences. Failure to settle quickly could sink the entire budget-cutting enterprise.

Some of the Democratic committee chairmen were playing the "Washington Monument game" (a metaphor for phony budget cuts, in which the National Park Service, ordered to save money, announces that it is closing the Washington Monument). The Education and Labor Committee made deep cuts in programs that it knew were politically sacred: Head Start and impact aid for local schools, and care for the elderly. The Post Office and Civil Service Committee proposed closing 5,000 post offices. Stockman could deal with those plays—indeed, he felt they strengthened his hand—but he was weakened on other fronts. Again, he had to hold all Republicans and win several dozen of the "boll weevils"—to demonstrate that Ronald Reagan controlled the House. It was not a matter of trading with liberal constituencies and their representatives; Stockman had to do his trading with the conservatives. "In that kind of game," he said, "everybody can ask a big price for one vote."

The final pasted-together measure would be several thousand pages of legislative action and, Stockman feared, another version of the Trojan horse—"a Trojan horse filled full of all kinds of budget-busting measures and secondary agendas."

A group of twenty northern and midwestern, more moderate Republicans, who organized themselves as "gypsy moths" as a counterweight to the "boll weevils," threatened defection. In the end, concessions were made: \$350 million more for Medicaid, \$400 million more for home-heating subsidies for the poor, \$260 million in mass-transit operating funds, more money for Amtrak and Conrail. The administration agreed to put even more money into the nuclear-power project that Stockman loathed, the Clinch River fast-breeder reactor. It accepted a large authorization for the Export-Import Bank, and more.

Stockman tried to keep everything in line. When he agreed with House Republicans to restore \$100 million or so to Amtrak, he had to go back and alert Bob Packwood, of Oregon, chairman of the Senate committee. "The Senate level which his committee tentatively voted out would have shut down a train in Oregon," Stockman said, "and he didn't relish the prospect of not being able to defend his train in the Senate and have it put back in by House Republicans."

In private, the budget director claimed that these new spending figures that Republicans had agreed upon for the various federal programs were not final but merely authorization ceilings, which could be reduced later on, when the appropriations bills

for departments and agencies worked their way through the legislative process. "It doesn't mean that you've lost ground," he said blithely of his compromises, "because in the appropriations process we can still insist on \$100 million (or whatever other figures appeared in the original Reagan budget) and veto the bill if it goes over . . . On these authorizations, we can give some ground and then have another run at it."

This codicil of Stockman's was apparently not communicated to the Republicans with whom he was making deals. They presumed that the final figures negotiated with Stockman were final figures. Later on, they discovered that the budget director didn't agree. When in September the President announced a new round of reductions, \$13 billion in across-the-board cuts for fiscal year 1982, the ranks of his congressional supporters accused Stockman of breaking his word. In private, some used stronger language. The new budget cuts Stockman prepared in September did, indeed, scrap many of the agreements he negotiated in June when he was collecting enough votes to pass the President's reconciliation bill. In the political morality that prevails in Washington, this was regarded as dishonorable behavior, and Stockman's personal standing was damaged.

"Piranhas," Stockman called the Republican dealers. Yet he was a willing participant in one of the rankest trades—his casual promise that the Reagan Administration would not oppose revival of sugar supports, a scandalous price-support loan program killed by Congress in 1979. Sugar subsidies might not cost the government anything, but could cost consumers \$2 to \$5 billion. "In economic principle, it's kind of a rotten idea," he conceded. Did Ronald Reagan's White House object? "They don't care, over in the White House. They want to win."

This process of trading, vote by vote, injured Stockman in more profound ways, beyond the care or cautions of his fellow politicians. It was undermining his original moral premise—the idea that honest free-market conservatism could unshackle the government from the costly claims of interest-group politics in a way that was fair to both the weak and the strong. To reject weak claims from powerful clients—that was the intellectual credo that allowed him to hack away so confidently at wasteful social programs, believing that he was being equally tough-minded on the wasteful business subsidies. Now, as the final balance was being struck, he was forced to concede in private that the claim of equity in shrinking the government was significantly compromised if not obliterated.

The final reconciliation measure authorized budget reductions of \$35.1 billion, about \$6 billion less than the President's original proposal, though Stockman and others said the difference would be made up through shrinking "off-budget" programs, which are not included in the appropriations process. The block grants and reductions and caps that Reagan proposed were partially successful—some sixty major programs were consolidated in different block-grant categories—though Stockman lost several important reforms in the final scrambling, among them the cap on the runaway costs of Medicaid, and user fees for federal waterways. The Reagan Administration eliminated dozens of smaller activities and drastically scaled down dozens of others.

In political terms, it was a great victory. Ronald Reagan became the first President since Lyndon Johnson to demonstrate both the tactical skill and the popular strength to stare down the natural institutional opposition of Congress. Moreover, he forced Congress to slog through a series of unique and painful legislative steps—a genuine reconciliation measure—that undermined the parochial baronies of the committee chairmen. Around Washington, even among the critics who despised what he was at-

tempting, there was general agreement that the Reagan Administration would not have succeeded, perhaps would not even have gotten started, without the extraordinary young man who had a plan. He knew what he wanted to attack and he knew Congress well enough to know how to attack.

Yet, in the glow of victory, why was David Stockman so downcast? Another young man, ambitious for his future, might have seized the moment to claim his full share of praise. Stockman did appear on the Sunday talk shows, and was interviewed by the usual columnists. But in private, he was surprisingly modest about his achievement. Two weeks after selling Congress on the biggest package of budget reductions in the history of the republic, Stockman was willing to dismiss the accomplishment as less significant than the participants realized. Why? Because he knew that much more traumatic budget decisions still confronted them. Because he knew that the budget-resolution numbers were an exaggeration. The total of \$35 billion was less than it seemed, because the "cuts" were from an imaginary number—hypothetical projections from the Congressional Budget Office on where spending would go if nothing changed in policy or economic activity. Stockman knew that the CBO base was a bit unreal. Therefore, the total of "cuts" was, too.

Stockman explained: "There was less there than met the eye. Nobody has figured it out yet. Let's say that you and I walked outside and I waved a wand and said, 'I've just lowered the temperature from 110 to 78. Would you believe me? What this was was a cut from an artificial CBO base. That's why it looked so big. But it wasn't. It was a significant and helpful cut from what you might call the moving track of the budget of the government, but the numbers are just out of this world. The government never would have been up at those levels in the CBO base."

Stockman was proud of what had been changed—shutting down the \$4 billion CETA jobs program and others, putting real caps on runaway programs such as the trade adjustment assistance for unemployed industrial workers. "Those were powerful spending programs that have been curtailed," he said, "but there was a kind of consensus emerging for that anyway, even before this administration."

All in all, Stockman gave a modest summary of what had been wrought by the budget victory: "It has really slowed down the momentum, but it hasn't stopped what you would call the excessive growth of the budget. Because the budget isn't something you reconstruct each year. The budget is a sort of rolling history of decisions. All kinds of decisions, made five, ten, fifteen years ago, are coming back to bite us unexpectedly. Therefore, in my judgment, it will take three or four or five years to subdue it. Whether anyone can maintain the political momentum to fight the beast for that long, I don't know."

Stockman, the natural optimist, was not especially optimistic. The future of fiscal conservatism, in a political community where there are "no real conservatives," no longer seemed so promising to him. He spoke in an analytical tone, a sober intellect trying to figure things out, and only marginally bitter, as he assessed what had happened to his hopes since January. In July, he was forced to conclude that, despite the appearance of a great triumph, his original agenda was fading, not flourishing.

"I don't believe too much in the momentum theory any more," he said. "I believe in institutional inertia. Two months of response can't beat fifteen years of political infrastructure. I'm talking about K Street and all of the interest groups in this town, the community of interest groups. We sort of stunned it, but it just went underground for the winter. It will be back. . . . Can we win? A lot of it depends on events and luck. If we

got some bad luck, a flareup in the Middle East, a scandal, it could all fall apart."

Stockman's dour outlook was reinforced two weeks later, when the Reagan coalition prevailed again in the House and Congress passed the tax-cut legislation with a final frenzy of trading and bargaining. Again, Stockman was not exhilarated by the victory. On the contrary, it seemed to leave a bad taste in his mouth, as though the democratic process had finally succeeded in shocking him by its intensity and its greed. Once again, Stockman participated in the trading—special tax concessions for oil-lease holders and real-estate tax shelters, and generous loopholes that virtually eliminated the corporate income tax. Stockman sat in the room and saw it happen.

"Do you realize the greed that came to the forefront?" Stockman asked with wonder. "The hogs were really feeding. The greed level, the level of opportunism, just got out of control."

Indeed, when the Republicans and Democrats began their competition for authorship of tax concessions, Stockman saw the "new political climate" dissolve rather rapidly and be replaced by the reflexes of old politics. Every tax lobby in town, from tax credits for wood-burning stoves to new accounting concessions for small business, moved in on the legislation, and pet amendments for obscure tax advantage and profit became the pivotal issues of legislative action, not the grand theories of supply-side tax reduction. "The politics of the bill turned out to be very traditional. The politics put us back in the game, after we started making concessions. The basic strategy was to match or exceed the Democrats, and we did."

But Stockman was buoyant about the political implications of the tax legislation: first, because it put a tightening noose around the size of the government; second, because it gave millions of middle-class voters tangible relief from inflation, even if the stimulative effects on the economy were mild or delayed. Stockman imagined the tax cutting as perhaps the beginning of large-scale realignment of political loyalties, away from old-line liberalism and toward Reaganism.

And where did principle hide? Stockman, with his characteristic mixture of tactical cynicism and intellectual honesty, was unwilling to defend the moral premises of what had occurred. The "idea-based" policies that he had espoused at the outset were, in the final event, greatly compromised by the "constituency-based" politics that he abhorred. What had changed, fundamentally, was the list of winning clients, not the nature of the game. Stockman had said the new conservatism would pursue equity, even as it attempted to shrink the government. It would honor just claims and reject spurious ones, instead of simply serving powerful clients over weak clients. He was compelled to agree, at the legislative climax, that the original moral premises had not been served, that the new principles of Reaganism were compromised by the necessity of winning.

"I now understand," he said, "that you probably can't put together a majority coalition unless you are willing to deal with those marginal interests that will give you the votes needed to win. That's where it is fought—on the margins—and unless you deal with those marginal votes, you can't win."

In order to enact Reagan's version of tax reduction, "certain wages" had to be paid, and, as Stockman reasoned, the process of brokering was utterly free of principle or policy objectives. The power flowed to the handful of representatives who could reverse the majority, regardless of the interests they represented. Once the Reagan tacticians began making concessions beyond their "policy-based" agenda, it developed that their trades and compromises and giveaways were utterly indistinguishable from the decades of inter-

est-group accommodations that had preceded them, which they so righteously denounced. What was new about the Reagan revolution, in which oil-royalty owners win and welfare mothers lose? Was the new philosophy so different from old Republicanism when the federal subsidies for Boeing and Westinghouse and General Electric were protected, while federal subsidies for unemployed black teenagers were "zeroed out"? One could go on at great length, searching for balance and equity in the outcome of the Reagan program without satisfying the question: the argument will continue as a central theme of electoral politics for the next few years. For now, Stockman would concede this much: that "weak clients" suffered for their weakness.

"Power is contingent," he said. "The power of these client groups turned out to be stronger than I realized. The client groups know how to make themselves heard. The problem is, unorganized groups can't play in this game."

When Congress recessed for its August vacation and President Reagan took off for his ranch in the West, David Stockman had a surprising answer to one of his original questions: could he prevail in the political arena, against the status quo? His original skepticism about Congress was mistaken; the administration had prevailed brilliantly as politicians. And yet, it also seemed that the status quo, in an intangible sense that most politicians would not even recognize, much less worry over, had prevailed over David Stockman.

V. "WHO KNOWS?"

Generally, he did not lose his temper, but on a pleasant afternoon in early September, Stockman returned from a meeting at the White House in a terrible black mood. In his ornately appointed office at OMB, he slammed his papers down on the desk and waved away associates. At the Oval Office that afternoon, Stockman had lost the great argument he had been carefully preparing since February: there would be no major retrenchment in the defense budget. Over the summer, Stockman had made converts, one by one, in the Cabinet and among the President's senior advisers. But he could not convince the only hawk who mattered—Ronald Reagan. When the President announced that he would reduce the Pentagon budget by only \$13 billion over the next three years, it seemed a pitiful sum compared with what he proposed for domestic programs, hardly a scratch on the military complex, which was growing toward \$350 billion a year.

"Defense is setting itself up for a big fall," Stockman had predicted. "If they try to roll me and win, they're going to have a huge problem in Congress. The pain level is going to be too high. If the Pentagon isn't careful they are going to turn it into a priorities debate in an election year."

Two days later, when we met for another breakfast conversation, Stockman had recovered from his anger. The argument over the defense budget, he insisted crankily, was a tempest stirred up by the press. The defense budget was never contemplated as a major target for savings. When Stockman was reminded of his earlier claims and predictions—how he would attack the Pentagon's bloated inefficiencies, assisted by a clear-eyed secretary of defense—he shrugged and smiled thinly.

Autumn was cruel to David Stockman's idea of how the world should work. The summer, when furious legislative trading was under way, had tattered his moral vision of government. Politics, in the dirty sense, had prevailed. Now he was confronted with more serious possibilities—the failure of the economic strategy and the political unraveling that he had feared from the beginning. On Capitol Hill, where Stockman was admired and envied for his nimble mind, where even

critics conceded that his presence in the Cabinet was essential to Ronald Reagan's opening victories, politicians of both parties were beginning to reach a different conclusion about him. Despite the wizardry, Stockman did not have all the answers, after all. The wizard was prepared to agree.

His failed expectations were derived from many events. In August, when enactment of the Reagan program was supposed to create a boom, instead, the financial markets sagged. Interest rates went still higher, squeezing the various sectors of the American economy. Real-estate sales were dead, and the housing industry was at a historic low point. The same was true for auto sales. Farmers complained about the exorbitant interest demanded for annual crop loans. Hundreds of savings-and-loan associations were at the edge of insolvency. The treasury secretary, perhaps also losing his original faith in the supply-side formulation, suggested that it was time for the Federal Reserve Board to loosen up on its tight monetary policy. Donald Regan saw a recession approaching.

Stockman's prospects for balancing the budget were getting worse, not better. The optimistic economic forecast made in January to improve his original budget projections came back to haunt him in September. The inflation rate was down considerably (a prediction fortuitously correct because of oil and grain prices) but interest rates were not: the cost of federal borrowing and debt payments went still higher.

Stockman was boxed in, and he knew it. Unable to cut defense or Social Security or to modify the overly generous tax legislation, he was forced to turn back to the simple arithmetic of the federal budget—and cut even more from that smaller slice of the federal dollar that pays for government operations and grants and other entitlements. For six months, Stockman had been explaining to "the West Wing guys" that this math wouldn't add. When Reagan proposed his new round of \$16 billion in savings, the political outrage confirmed the diagnosis. Stockman was accused of breaking the agreements he had made in June: Senate Republicans who had accepted the "magic asterisk" so docilely were now talking of rebellion—postponing the enormous tax reductions they had just enacted. While the White House promised a war of vetoes ahead, intended to demonstrate "fiscal control," Stockman knew that even if those short-range battles were won, the budget would not be balanced.

Disappointed by events and confronted with potential failure, the Reagan White House was developing a new political strategy: wage war with Congress over the budget issues and, in 1982, blame the Democrats for whatever goes wrong.

The budget director developed a new wryness as he plunger gamely on with these congressional struggles; it was a quality more appealing than certitude. Appearing before the House Budget Committee, Stockman listed a new budget item on his deficit sheet, drolly labeled "Inaction on Social Security." With remarkable directness and no "magic asterisks," he described the outlook: federal deficits of \$60 billion in each of the next three years. Some analysts thought his predictions were modest. In the autumn of 1981, despite his great victories in Congress, Ronald Reagan had not as yet produced a plausible answer to John Anderson's question.

Still, things might out, Stockman said. They might find an answer. The President's popularity might carry them through. The tax cuts would make people happy. The economy might start to respond, eventually, to the stimulation of the tax cuts. "Who knows?" Stockman said. From David Stockman, it was a startling remark. He would continue to invent new scenarios for success, but they would be more complicated and cloudy than his original optimism. "Who knows?" The world was less manageable

than he had imagined; this machine had too many crazy moving parts to incorporate in a single lucid theory. The "random elements" of history—politics, the economy, the anarchical budget numbers—were out of control.

Where did things go wrong? Stockman kept asking and answering the right questions. The more he considered it, the more he moved away from the radical vision of reformer, away from the wishful thinking of supply-side economics, and toward the "old-time religion" of conservative economic thinking. Orthodoxy seemed less exciting than radicalism, but perhaps Stockman was only starting into another intellectual transition. He had changed from farm boy to campus activist at Michigan State, from Christian moralist to neo-conservative at Harvard; once again, Stockman was reformulating his ideas on how the world worked. What had he learned?

"The reason we did it wrong—not wrong, but less than the optimum—was that we said, Hey, we have to get a program out fast. And when you decide to put a program of this breadth and depth out fast, you can only do so much. We were working in a twenty or twenty-five-day time frame, and we didn't think it all the way through. We didn't add up all the numbers. We didn't make all the thorough, comprehensive calculations about where we really needed to come out and how much to put on the plate the first time, and so forth. In other words, we ended up with a list that I'd always been carrying of things to be done, rather than starting the other way and asking, What is the overall fiscal policy required to reach the target?"

That regret was beyond remedy now; all Stockman could do was keep trying on different fronts, trying to catch up with the shortcomings of the original Reagan prospectus. But Stockman's new budget-cutting tactics were denounced as panic by his former allies in the supply-side camp. They now realized that Stockman regarded them as "overly optimistic" in predicting a painless boom through across-the-board tax reductions. "Some of the naive supply-siders just missed this whole dimension," he said. "You don't stop inflation without some kind of dislocation. You don't stop the growth of money supply in a three-trillion-dollar economy without some kind of dislocation . . . Supply-side was the wrong atmospheric—not wrong theory or wrong economics, but wrong atmospheric . . . The supply-siders have gone too far. They created this nonpolitical view of the economy, where you are going to have big changes and abrupt turns, and their happy vision of this world of growth and no inflation with no pain."

The "dislocations" were multiplying across the nation, creating panic among the congressmen and senators who had just enacted this "fiscal revolution." But Stockman now understood that no amount of rhetoric from Washington, not the President's warmth on television nor his own nimble testimony before congressional hearings, would alter the economic forces at work. Tight monetary control should continue, he believed, until the inflationary fevers were sweated out of the economy. People would be hurt. Afterward, after the recession, perhaps the supply-side effects could begin—robust expansion, new investment, new jobs. The question was whether the country or its elected representatives would wait long enough.

His exasperation was evident: "I can't move the system any faster. I can't have an emergency session of Congress to say, Here's a resolution to cut the permanent size of government by 18 percent, vote it up or down. If we did that, it would be all over. But the system works much more slowly. But what can I do about it? Okay? Nothing. So I'm not going to navel-gaze about it too long."

Still trying, still energetic, but no longer abundantly optimistic, Stockman knew that congressional anxieties over the next election were already stronger, making each new proposal more difficult. "The 1982 election cycle will tell us all we need to know about whether the democratic society wants fiscal control in the federal government," Stockman said grimly.

The alternative still energized him. If they failed, if inflation and economic disorder continued, the conservative reformers would be swept aside by popular unrest. The nation would turn back toward "statist" solutions, controls devised and administered from Washington. Stockman shrugged at that possibility.

"Whenever there are great strains or changes in the economic system," he explained, "it tends to generate crackpot theories, which then find their way into the legislative channels."●

WILFRED BURCHETT: NO ORDINARY JOURNALIST

● Mr. SYMMS. Mr. President, what would we say about the news reports of a newsman who appeared at a prisoner of war camp in the uniform of the captors, to tell the captives that they would get better treatment if they agreed with him, and went over to the enemy and more or less collaborated with them? I suspect we would ask serious questions about the dedication of this newsman to news and view his dispatches with a critical eye.

Unfortunately, my suspicions are incorrect. Wilfred Burchett, the Australian "newsman" did exactly what I have outlined, and his dispatches continue to receive favorable treatment by the Western media, most particularly the major newspapers of the United States. I was paraphrasing a sentence from a libel trial held in Australia in 1974, as reported in Stephen Morris' review of Burchett's memoirs, in the November issue of *Commentary*. Sworn testimony at that trial, which Burchett lost, confirms what should be obvious from the most cursory examination of his "reporting," that Burchett's interest has long been in pushing the Communist Party line.

Mr. President, the treatment accorded Wilfred Burchett by the editors and reporters of our news media is truly troubling. I believe the news establishment should read Mr. Morris' article, and spend some time examining its own conscience and the attitudes of those who people it. So that my colleagues can get some idea of what I find so troubling, I ask that the complete article be printed at this point in the *RECORD*.

The article referred to follows:

A SCANDALOUS JOURNALISTIC CAREER

(By Stephen J. Morris)

Wilfred Burchett is no ordinary journalist. An Australian, he has been actively involved in reporting the major confrontations between East and West for over forty years. He has also been a highly controversial figure. In 1955 the British and Australian governments refused to issue him a passport. For many years he was banned from entering the United States. The controversy which has surrounded him has centered on his own role in the various conflicts he has reported. The recent publication of Burchett's mem-

oirs,¹ with an introduction by another famous journalist, Harrison Salisbury, offers an occasion for evaluating his career.

Wilfred Burchett was born in Melbourne, Australia in 1911. His father was a Methodist lay preacher with strong radical left-wing views. Family poverty forced the young Wilfred to drop out of school at an early age, and he worked for several years on various jobs, including as farm-laborer and vacuum-cleaner salesman. During his spare time he studied languages, acquiring a skill which was later to become very useful.

In 1936 Burchett left Australia for England. His first job after arriving in England was working for the Thomas Cook travel agency. Later the same year he switched to the London office of the Soviet government travel agency, Intourist. In his memoirs, Burchett devotes only two sentences to this event: he suggests that he got "the job" (never specified) because of his rudimentary knowledge of Russian and because the assistant manager was an Australian. But according to the knowledgeable and impeccably honest Australian journalist Denis Warner, Burchett was invited to open the London office of Intourist by the then Soviet ambassador to England, Ivan Malsky.² In any case a diplomatic quarrel between England and the Soviet Union soon led to a closing of the office. After searching unsuccessfully for a job in Paris, Burchett returned to London, where he found a job with the travel agency Palestine Orient Lloyd, which specialized in handling emigrant traffic out of Germany to Palestine and the United States. Burchett remained at that job until 1939. Meanwhile, in September 1938, he married Erna Hamer, a German Jewish refugee.

Burchett finally found his niche as a journalist during World War II. In 1940 he reported the revolt against the Vichy regime on the French South Pacific colony of New Caledonia, and this helped him gain accreditation with the popular London newspaper, the *Daily Express*, for which he reported the Asian battlefield throughout World War II. The war in China and Burma, and the island-hopping campaign of General MacArthur's forces, were the main subjects of his dispatches.

It was during those years that Burchett met a man who was later to become an important friend—Chou En Lai.

Burchett's first major journalistic coup was achieved at the end of World War II. He was the first Western correspondent to tour the remains of Hiroshima after the atomic bomb was dropped. Burchett claims that his reports of the devastation infuriated General MacArthur. But these reports did not harm his career. After three years of work for the *Daily Express* in Trieste, Greece, and Berlin, Burchett turned up in Eastern Europe in 1949, with access to the courtroom for the Stalinist show trials of East European Communist leaders and of Cardinal Mindszenty of Hungary. Burchett was now reporting for the most prestigious newspaper in Britain, the *Times*.

Though the charges against the Hungarian and Bulgarian Communists were utterly fantastic, similar to the kinds of accusations Stalin had leveled against the Old Bolsheviks in the Soviet Union in the 1930's, Burchett in his reports endorsed the prosecutor's line. In the case of the Hungarian Foreign Minister, Laszlo Rajk, and his co-defendants,

¹ *At the Barricade: Forty Years on the Cutting Edge of History*, New York Times Books, 340 pp., \$15.00.

² See Warner's "Who is Wilfred Burchett?", the *Reporter*, June 1, 1967. This article provides a valuable account, much of it firsthand, of Burchett's activities in Asia from World War II to 1967.

Burchett wrote later (in *People's Democracies*, 1951) that the accused were "Titoist spies" ultimately linked to British and American intelligence:

"In the Western press, even in so-called liberal sections, an attempt was made to present Rajk, Palfy, and Co. as a small group of nationalist-minded Communists, people who wanted Communism but independent of the Soviet Union. This is nonsense. There was not one convinced Socialist among the whole band. They were mostly cheap police spies . . . they are a miserable collection of plotters without a human ideal between the lot of them. . . . Before the court and before the Hungarian public, as all proceedings were broadcast from the court, Rajk and his gangs were disclosed as miserable, bloodthirsty adventurers. . . ."

When Stalin ordered the purge of independent-minded Communists in Bulgaria, Burchett was once again on the spot. As he wrote in *People's Democracies*:

"If Laszlo Rajk could be regarded as the right arm of Tito's plans for Eastern Europe, Traicho Kostov, member of the Bulgarian politburo, 2nd Deputy Premier, was certainly his left arm. I sat in a crowded court in Sofia in December 1949, heard and watched Traicho Kostov and ten other accused and dozens of witnesses testify to a Yugoslav plan for Bulgaria every whit as diabolical and bloodthirsty as that for Hungary."

Burchett further asserted that Kostov was a British spy.

Not long after the show trials were concluded, Burchett, who had divorced his first wife in 1948 after a long separation, married Vessilina Ossikovska, a member of an old Bulgarian Communist family who at the time of their marriage was a journalist in the Bulgarian Ministry of Foreign Affairs. When Burchett left Bulgaria for Budapest in 1950, the Bulgarian authorities refused to allow his wife to accompany him. But the decision did not make Burchett bitter toward the Bulgarian regime. On the contrary, in *People's Democracies* he expressed great admiration for the human-rights record of all the Eastern European regimes:

"If the same advance is made in the next twenty years as has been made in the past five years in bringing real liberties to the workers and peasants of the People's Democracies, and if the Western powers give up their morbid plans to destroy the People's Democracies by force of arms and the hydrogen bomb, the whole population will be enjoying liberties of a quality not yet dreamed of in the Western world."

In early 1951 Burchett returned briefly to his native Australia, where he gave lectures for the Australian Peace Council, a front organization run by the Australian Communist party. That same year he took up residence in the People's Republic of China, as a correspondent for the French Communist newspapers *L'Humanité* and *Ce Soir*. (Neither the *Times* nor the *Daily Express* was interested in Burchett's reporting at this stage.) After six months in China, Burchett managed to rush off a gushing book-length panegyric to the regime. *China's Feet Unbound*. The introduction to this book made its outlook and purpose clear:

"It is written as a weapon for those who fight for peace and as confirmation for those who refuse to accept the idea that their living standards must be lowered, their civil rights abolished, their late enemies rearmed because China menaces world peace. It was written against the background of American bombs landing on Chinese soil, American tanks rumbling toward China's frontier, American germ warfare launched against China's neighbor."

The last clause was significant, as it previewed Burchett's next major public act—dissemination of the story that the United States was using germ warfare against North Korea, Burchett made his way to North Korea in July 1951, along with the British

Communist journalist Alan Winnington. One of his purposes was to cover the Panmunjom peace talks from the Chinese Communist side. (This is the only purpose Burchett mentions today.) Burchett also produced scathing attacks on the UN forces, complete with atrocity stories which included the myth that America had conducted germ warfare. Finally, Burchett visited Chinese-run camps where Allied POW's were being held. He wrote of one:

"This camp looks like a holiday resort in Switzerland. The atmosphere is also nearer that of a luxury resort than a POW camp."

At the end of the Korean war, returning Allied ex-POW's gave a different account of the camps, and alleged that Burchett had been more than a journalist reporting "from the other side." Former prisoners interviewed by the British and Australian governments maintained that Burchett had collaborated with the Chinese Communists in interrogation procedures. Because of these charges of collaboration, the British government refused to renew and the Australian government refused to issue a passport to Wilfred Burchett in 1955.

It was through China that Burchett made his first contact with the Vietnamese Communists. In fact Burchett spent most of the period between 1953 and 1956 shuttling back and forth between China and North Vietnam, Laos and Cambodia. In these countries, as previously in Korea, he reported on the supposed strength and popularity of the Communist forces and provided captioned photographs which were meant to show that French prisoners were being well treated by their Vietminh captors. Apart from those reports for the world press, Burchett produced two books as a result of his visits—*North of the 17th Parallel* and *Mekong Upstream*. Burchett also established a personal connection with Ho Chi Minh and Pham Van Dong. In 1955, when he was without a British or Australian passport, the government of North Vietnam took the unprecedented step of offering him a special travel document of its own.

In the middle of 1953 Burchett visited Hungary and Poland, where social unrest was beginning to develop in the wake of Khrushchev's de-Stalinization program. Burchett was most disturbed by the growth of liberal and nationalist ideals among some of the anti-Stalinist party leaders and intellectuals who took him into their confidence.

In 1956 Burchett arrived in Moscow with accreditation from the *National Guardian* (later renamed *Guardian*), a tiny pro-Communist American weekly. During the next six years he devoted himself to reporting the achievements of Soviet science and technology, beginning with Sputnik and continuing on through the launching of Yuri Gagarin into space. These subjects were of a kind to reestablish Burchett's connections with the mainstream British press, including the *Daily Express* and even the prestigious *Financial Times*. A book written by Burchett during this period was *Come East Young Man* (1962), which detailed the astonishing successes of the Soviet economy, especially in the areas of agricultural output, housing, and consumer goods. Burchett also reported on the innovative and humane approach to criminal justice which he saw in the USSR. All of this, combined with the party's determined campaign to eliminate bureaucracy, encouraged Burchett to write:

"A new humanism is at work in the Soviet Union which makes that peddled in the West look shoddy, for it starts right down in the grass roots of Soviet society; its all-embracing sweep leaves behind no underprivileged."

In 1962, with the conflict in Indochina heating up again, Burchett began a series of trips back to the war zones. In 1965 he

³ Quoted by Denis Warner in "Who is Wilfred Burchett?"

set up a new residence in Phnom Penh and developed a relationship with Cambodian Prince Sihanouk which was to last for over a decade. Burchett ghosted some of the Prince's English-language publications and also served as a liaison between Sihanouk and the North Vietnamese. It was from Cambodia that Burchett made his way to the "liberated zones" of the National Liberation Front of South Vietnam, as well as to Hanoi.

At first Burchett's articles on the Vietnam war appeared only in Soviet magazines, such as *New Times*. But the thirst for news "from the other side" was so great in the West, and Hanoi's restrictions on foreign newsmen so severe, that by 1967 Burchett's articles were beginning to appear in the mainstream Western press—particularly *Le Monde* and the *New York Times*. The articles tended to deal with the alleged effects of the American bombing on North Vietnam. Stories of civilian suffering were combined with tales of the indomitable Vietnamese will to resist "imperialist aggression." Burchett also provided advance notice of changes in Hanoi's position on the issue of negotiations.

The "special relationship" Burchett enjoyed with the Hanoi regime to manifest itself in many ways. According to Dennis Warner, Burchett's intervention, or veto, could determine whether or not a Western journalist would be given a visa to North Vietnam. Many of the applicants were people whom he had known from World War II and the Korean peace talks in Panmunjom. Burchett was a wise judge of friends and enemies. The first American correspondent allowed to visit North Vietnam was an old friend, Harrison Salisbury of the *New York Times*, whom Burchett accompanied on part of his visit. Salisbury did nothing to embarrass Burchett. Rather, he reported to readers of the *New York Times*, and ultimately to the entire Western world, that the United States was deliberately bombing not military but civilian targets in North Vietnam. What Salisbury did not tell his readers was his source for this charge: not direct observation but North Vietnamese officials and one of their published propaganda booklets.⁴

Burchett also helped secure visas for other well-disposed foreigners. Among the most notable was the writer Mary McCarthy, who conducted a well-publicized visit to Hanoi in 1968. Miss McCarthy too wrote nothing that might embarrass Burchett.

When, in 1968, peace talks began among the United States, South Vietnam, North Vietnam, and the Vietcong, Burchett was in Paris to cover them. This time his personal ties with Western newsmen paid off handsomely. He had befriended Charles Collingwood many years earlier. Now Collingwood was chief foreign correspondent of CBS News, and Burchett was employed under what he himself calls "a discreet arrangement" as a consultant to the CBS News team in Paris.

Nineteen-sixty-eight was also the year in which Burchett's book on Korea appeared (*Again Korea*). In it he wrote:

"Kim Il Sung . . . has the warm human touch, the simplicity of the great, and a down-to-earth manner, rare among men in his position. This comes through in his speeches. Even dealing with such unromantic problems as heavy industry, there is always some little aside, to remind his listeners, especially if there are bureaucrats among them, that the end result of everything is to make life better and gayer for everyone."

In the same year Fidel Castro took the unprecedented step of granting Burchett a Cuban passport, to replace the now cumbersome

⁴ Salisbury's misleading reports about the bombing of North Vietnam are meticulously analyzed by Guenter Lewy in *America in Vietnam*, pp. 490-493; see also the important account of the former British consul general in Hanoi, John Colvin, "Hanoi in My Time," *Washington Quarterly*, Spring 1981.

document the North Vietnamese had provided many years earlier.

Sensing the changing climate of intellectual opinion in the West, Burchett now began a public campaign for the restoration of his Australian passport. A Burchett Passport Committee was formed in Australia, and its activities resulted in a petition to Parliament. Among the signatories were various journalistic associations around the world, the PEN Club, Bertrand Russell, Jean-Paul Sartre, Jane Fonda, Vanessa Redgrave, Norman Mailer, and Arthur Miller. The petition was presented in April 1969, but rejected by the Australian government. The Australian Journalists Association then appealed to the UN Human Rights Commission.

Buoyed by the tide of international support, Burchett decided to challenge the government's ban on his reentry into Australia. With the help of Gordon Barton, a wealthy Australian businessman and publisher, Burchett was privately flown into the country in 1970 and was accorded a spectacular reception with great attendant publicity. His public challenge to the Australian government to bring charges against him was not taken up, and this helped discredit the case of the Australian conservatives and strengthened the hand of his many admirers within the Australian Labor party. Thus when the party came to power in 1972, one of its first acts was to restore the passport of Wilfred Burchett.⁵

In the early 1970's, with American public opinion now favoring withdrawal from Vietnam, Burchett turned to other international settings. The end of the Cultural Revolution in China saw his friend Chou En Lai back in power in Peking. Burchett now began to disseminate Chou's version of the power struggle in China. In particular he publicized the story that Lin Biao had attempted to assassinate Chairman Mao and seize power, but was foiled and died while attempting to flee.

After the 1974 military coup in Portugal, Burchett reappeared on the European scene, defending the cause of the Portuguese radical Left against the Socialists and centrists. But with the victory of the democrats in Portugal, Burchett was forced to turn elsewhere. In 1975 he flew to Angola, where he provided extensive reporting favorable to the Cuban forces helping to install the MPLA government.

The Angolan civil war catalyzed Burchett's growing estrangement from the Chinese Communists. In 1976, after the death of Chou En Lai (for whom he wrote a powerful eulogy), Burchett began openly to criticize Chinese foreign policy. What forced him to take sides was not the Sino-Soviet split but rather the Sino-Vietnamese split and the broader international realignments of which it had been a part. China's abandonment of the "anti-imperialist struggle," in Angola and elsewhere, in order to develop a united front against the Soviet Union, was for Burchett totally unacceptable.

Like the North Vietnamese politburo, Burchett had not anticipated the rapid collapse of the South Vietnamese government in 1975 after the final American withdrawal. He was thus not in place for the beginning of the end. But he made up for that after the victory by producing two books on the military campaign of North Vietnam and numerous articles celebrating life after "liberation." On October 25, 1975 he wrote in the *Guardian*:

⁵ The reason for the unwillingness of the previous Australian government to press charges against Burchett in 1970 or earlier was that the offenses for which he had been denied a passport occurred during the Korean war. Since the war had been undeclared, actions relating to it could not be considered treasonous under the provisions of the Australian Crimes Act as originally formulated.

"The South Vietnamese people are tasting the heady wine of running their own affairs for the first time in living memory. This is the dominating factor in all spheres of public life."

In 1975 and 1976 Burchett was also ecstatic about the new regime Pol Pot had created in Cambodia. On January 14, 1976 he wrote in the *Guardian*:

"Cambodia became a worker-peasant-soldier state last week, with the January 5 adoption of a 21-article constitution. . . . The new constitution . . . confirms the new democratic revolutionary order built up in the countryside during the struggle. . . . It guarantees that everyone has the right to work and a fair standard of living . . . it is one of the most democratic and revolutionary constitutions in existence anywhere."

In 1975 and 1976 Burchett was also denouncing as "fabricated" a number of reports that Sihanouk had become disillusioned with the Khmer Rouge. But after the Vietnamese Communists turned against their former allies, Burchett discovered the truth of what had previously been "fabricated." Pol Pot suddenly became a Hitlerite monster whose crimes exceeded the claims of the most virulent anti-Communist propaganda. So incensed now was Burchett by the horrors of the Pol Pot regime that when his friends on the editorial board of the *Guardian* refused to take a position on the Vietnam-Cambodia conflict he announced he would no longer write for the newspaper. This inflexible stand was uncharacteristic of Burchett, but it corresponded to the totally uncompromising position of the Vietnamese.

Burchett is today somewhat distant from the Soviet Union, with regard to which he might be considered a "critical sympathizer." He reserves his uncritical admiration for the Soviet Union's most militant clients—Vietnam and Cuba. One of his recent concerns has been to denigrate the moral credentials of the last Marshal Tito as leader of the non-aligned world, and to promote Fidel Castro in his place. Burchett also maintains his support for Kim Il Sung's regime in North Korea, which is independent of both Moscow and Peking.

This slightly unusual pattern of allegiances within the fragmented Communist world has led some observers to conclude that Burchett's political position is an "independent" one, reflecting his own brand of idiosyncratic radicalism. What these observers do not realize is that the twists and turns in Burchett's Communist sympathies, and his current firm attachments to the regimes in Hanoi, Havana, and Pyongyang, have correlated exactly with the foreign-policy line of the Communist party of Australia.

What do Burchett's memoirs tell us about the man and his political record?

First they contain interesting information on Burchett's friends and patrons in the Communist world. He is anything but modest in describing his close ties with Chou En Lai, Ho Chi Minh, Pham Van Dong, and Fidel Castro. Burchett's link with Kim Il Sung seems to have been much less personal in nature, though still significant. As far as the Soviet Union is concerned, Burchett gives no indication of having made any close personal contact at the highest level.

The memoirs also list some of the people in the Western media who have befriended and promoted him. Harrison Salisbury is at the top of the list. So too is Russell Spurr, an English journalist formerly with the *London Daily Express* and later with the English-language *Hong Kong weekly*, the *Far Eastern Economic Review*. Charles Collingwood is mentioned as an important friend. Not only was he instrumental in having Burchett named as a consultant to the CBS News team at the Paris peace talks, but he also introduced Burchett to Averell Harriman, President Johnson's roving ambassador for peace. (Harriman sought Burchett's ad-

vice on how the U.S. might proceed in its dealings with Hanoi.)

But the memoirs are also interesting for the way Burchett attempts to explain his own past. As an illustration, let us consider Burchett's account of his reporting of the show trials in Eastern Europe during the 1940's.

The Eastern European Communist victims of Stalin, whose guilt Burchett affirmed, were rehabilitated (many posthumously) in the Khrushchev era. Today in his memoirs, Burchett explains his own role in the pseudo-judicial farce by drawing what he considers to be an important distinction between the Rajk and Kostov trials. Burchett claims that he believed at the time in the guilt of Laszlo Rajk because of the calm and unemotional nature of the confessions he made. He adds: "I had no doubt of their guilt or of the inevitability of a death sentence for Laszlo Rajk, given the gravity of the activities to which he had confessed."

But Kostov's trial, he says, was different. Kostov (like Bukharin in the Moscow show trial of 1938) stood up in court and denied his handwritten confession. This is how Burchett today describes his reaction then to Kostov's public retraction:

"In his own way, Kostov had done what his old comrade Georgi Dimitrov had done sixteen years earlier at the Reichstag Fire Trial. He had knocked the stuffing out of the prosecution. . . . Kostov's honesty and courage could make no difference to the conduct of the trial or its outcome, but it posed questions in everyone's minds about the methods by which such confessions were produced and the validity of the charges against Tito. . . . I was considerably shaken by the Kostov trial."

If the Kostov trial "posed questions" in Burchett's mind about the methods of producing confessions and the "validity of the charges against Tito," and if he was "considerably shaken" by the Kostov trial, he did a remarkable job of concealing the fact. Burchett's earlier writings provide not a shred of evidence to support his current claim. Instead, they contain sustained arguments to the contrary. Thus, he wrote in "People's Democracies":

". . . If Kostov's written statement was a fraud and his oral denial correct, if he was the man of courage he depicted himself to be in 1942, no police pressure nor any threats of punishment afterward should have prevented him from crying 'My statement is false. It was made under pressure. These other accused have been falsely arrested. Everything I wrote was a lie. I retract it all.'"

And further:

"If Kostov was the man who withstood beatings and was prepared to face the firing squad rather than betray his comrades and his party in 1942, this is what he would have done in 1949. Firstly, he would never have written a statement, secondly, if a statement had been forced out of him, he would have retracted it. But he played the double-faced role he had played in the 1930's, the role he had played in the courtroom in 1942, when he admitted everything to Geshev, the role he played in early 1949 after he was just denounced in the Politburo."

Burchett obviously counts on his readers' not checking his record, and for the most part they have not disappointed him.

Burchett adds a further revelation to explain his past "errors." He has now discovered the possibility that the false evidence which came forth during the trials was planted by the CIA! Burchett bases himself on a book by Stewart Stevens, former assistant editor of the *Daily Mail*. According to the Stevens thesis, CIA chief Allen Dulles was worried that the emergence of "National-Communist" regimes in Eastern Europe would make Communism more attractive to the voters of Western Europe. To insure that Eastern European Communism remained Russified, Dulles,

operating through the American agent Noel Field and a Polish secret-police official, planted phony evidence of "Titoist conspiracies in conjunction with Western imperialism" in the hands of Stalin's secret police chief Beria. Thus, the story concludes, in prosecuting the alleged conspirators Stalin was all along the unknowing dupe of Allen Dulles and the CIA.

Another interesting feature of Burchett's memoirs is their failure to mention at all the two most serious charges that have been leveled against him.

In November 1969, the KGB defector Yuri Krotkov swore before a United States Senate Judiciary Subcommittee that he had been approached by and later helped to recruit Wilfred Burchett to the payroll of the KGB. Krotkov claimed that at their first meeting in East Germany in 1947, "Burchett gave me all necessary hints that he is very close to the Communists, and that he wants to have a special relation with me."

But at that time, Krotkov asserted, his KGB superiors were wary of Burchett, and instructed Krotkov not to get too close. At a second meeting in Moscow in 1956, the KGB was more trustful. Krotkov met Burchett in a restaurant:

"... He openly told me that he is a member of the Australian Communist party, but for the benefit of the party, he is on the illegal underground position. Then he told me that he was in Korea, and then he was in China. He worked there as a freelance correspondent but he was supplied, he was paid by the Chinese Communist party all that period. Then when he came to Vietnam... all his expenses were paid by the Vietnamese Communist party, by Ho Chi Minh, and he mentioned that he was in very close relation with Chou En Lai... that he was in very close relation with Ho Chi Minh himself. He told me that he visited him many times, that he gave him a house in Hanoi, and a car, a secretary, that he was "equipped" very beautifully by the Vietnamese Communist party."

And then he said that he had now a new idea... that he wanted to come to Moscow because now after the Khrushchev speech, Moscow became the most important place in the world. And he gave me a hint that he wants to be in Moscow in the same position as he was in China and in Vietnam. In other words to be a freelance correspondent, representing the American newspaper, *National Guardian*... but money was a problem, because no one would pay him money and he asked for money from the Soviet Communist party. He told me all this directly and he said that it would be nice if I would be able to find [the] right man to discuss all this.

Krotkov testified that he reported all this back to his superiors, and that after some consideration the KGB agreed to Burchett's proposal. But Burchett had left Moscow, and when he returned a new person had been put in charge of these matters in the KGB who put difficulties in his path. Now Burchett approached visiting members of an Australian Communist party delegation in Moscow, and after intervention on his behalf the relationship was established. Thus Krotkov:

"After his meeting with them... everything was quite alright. The KGB gave him the good flat and well, I guess necessary money... I know that Burchett had a close relation with the boss of the KGB special department which is responsible for the whole foreign correspondents in Moscow. That's Colonel Barsegov."

Burchett's failure to mention the Krotkov testimony is consistent with his past behavior. In fact his characteristic response to anyone who dares repeat the charges has been to issue a libel suit. One of these suits, taken out in Australia in 1973, led to the publicizing of a second series of major allegations about Burchett—allegations about his behavior during the Korean war. Although there is not a sentence in his memoirs dealing with the trial testimony, it was these allegations which

led the Australian and British governments to refuse to issue Burchett a passport, an act which aroused so much indignation on the part of Burchett's friends.

The famous defamation trial, held in Sydney, in October and November 1974, involved a claim of \$1,000,000 damages by Burchett against Jack Kane, an Australian politician. Kane had published an article in his political newsletter which reported the Australian parliamentary debate over the Krotkov testimony. At the trial, Kane's legal counsel presented testimony by Krotkov reiterating the charges he had made in Washington in 1969. Kane's lawyers also gathered an enormous number of witnesses from around the world, all of whom had been prisoners of war in Korea.

At the trial three Australian ex-prisoners testified that they had met Burchett in a Chinese camp for Allied POW's, and that Burchett was wearing the uniform of a Chinese army officer. One of these prisoners, Thomas Hollis, said that Burchett told him he could get them better treatment "if we agreed with his ideas and went over to the Chinese more or less and collaborated with them." This was confirmed by another Australian prisoner, Robert Parker.

Even more damaging allegations about Burchett's role during the Korean war were made by American POW's. Walker Mahurin, a former colonel in the United States Air Force, met Burchett twice during his sixteen months of captivity in North Korea. On both occasions, he claimed, Burchett wore a Chinese officer's uniform. Mahurin also testified that in addressing the guards Burchett used the Chinese word for "comrade." Mahurin, who had been forced by his captors into confessing falsely that he had carried out germ warfare, said that Burchett called him an "international war criminal."

Paul Russell Kniss, an American pilot shot down over North Korea in May 1952, testified that he met Burchett five or six times in two camps in North Korea. At their second meeting, Burchett told him that it was he, Burchett, who had edited the false confessions Kniss had been forced to sign. According to Kniss, Burchett made a tape-recorded interview with him for a French newspaper, and the interview was based upon specially prepared questions and answers Burchett handed to him, with the answers identical to the text of the false confession.

Kniss also described to the court how on one occasion a Chinese interrogator dropped a piece of paper in his cell, and after the interrogator left he had picked it up. The paper, which bore the signature of W. G. Burchett on the bottom, contained questions of a military nature, which were the exact same questions asked of Kniss by the Chinese interrogator.

But the most devastating testimony against Burchett came from Derek Kinne, an Englishman who served with British units in Korea and was awarded the George Cross. Kinne identified Burchett in court as the man he had seen twice while a prisoner of the Chinese in Korea. The second time Kinne saw Burchett he and the other prisoners were told that Burchett was coming to talk to them on the football pitch (field) in the camp:

"It was all the Americans and all the British about 1400 men... They put a table on the football pitch and he came on the football pitch and he stood in front of the table and he faced us... He went on to say that through the tireless efforts of the Chinese peoples' volunteers the peace talks were going on and that the Americans had sabotaged the peace talks, and he was getting booed down and the Americans started to take off their belts and put a noose in them and they would swing them and it became pretty well bedlam, so he got rather pissed off and he said: 'All right you people—you think when the peace talks break down and the Americans come this way you

will be liberated. But I have got news for you. You're going that-a-way.' And he pointed to China."

Kinne continued:

"I was in the front row and he turned his back and started to tidy up his papers. There was a theme there—he was always saying 'our side' and 'your side.' I went to the front and I faced him, and I said to him 'Are you biased, you son-of-a-bitch, are you biased?' He said 'No.' I said, 'Why do you refer to the Chinese and the North Koreans as 'our side' and the Americans as 'your side.' I can't remember whether he said, 'That was the side I correspond for' or 'the side I work for.' And then I said, 'Well you can tell your side to get some dental treatment in here because men are having their teeth extracted with regular pliers; also 39 men went up to Boot Hill and I saw the dogs dragging the bodies out, and we ate those dogs.' And I said, 'We are starving to death.'"

His Honor: Did he say anything?

Kinne: No sir, he kept his mouth shut.

In answer to a further question from the defense counsel Kinne said:

"I told him that I complained to the Chinese and they took me away and they put me in a room for 72 hours, and tied me up and told me I was in their to reflect, and I reflected. He [Burchett] got mad and he said to me, 'I could have you shot.' So I ran around that table and he started to move around the other way. I went around that table and I said, 'You son-of-a-bitch, if you are going to have me shot I will tell you something.' I pointed to Boot Hill and I told him that 600 men had died from malnutrition and atrocities and he said to me, 'What can I do about it?' I said, 'You can tell them at Panmunjom,' and he said, 'It would be a good thing if I had you shot.'"

In an interview with the *New York Post* in 1977, Kinne also said that an hour after the meeting described above, two Chinese guards came and took him away to a small room and tortured him. According to Kinne the guards "told me I wasn't a very good student in the way I'd talked to Comrade Burchett, and that I was sick in the mind and they were going to cure me." Kinne asserted that he was kept in solitary confinement for 13 months and beaten daily while the guards tried to force him to sign a confession. "One of the parts of that confession was that I had a hostile attitude to Comrade Burchett."

At the trial Burchett denied all of these allegations, just as he denied the testimony of the KGB defector Krotkov. He lost the case on the technical grounds that the article which he had found offensive was regarded by the court as a fair rendering of the substance of a parliamentary debate, and hence protected by parliamentary privilege from liability. Thus the jury was never asked to pass judgment on the truth or falsity of Krotkov's testimony. (The testimony of the former POW's had been presented by the defense counsel as supporting evidence.)

One need not have been familiar with all the charges against Burchett to have concluded that he was something other than an independent left-wing journalist. Burchett's published writings of the past thirty years demonstrate by themselves his devotion to various totalitarian causes. And the publicly acknowledged fact that Burchett was granted travel documents and a passport by the North Vietnamese and Fidel Castro—privileges not normally given to the citizens of North Vietnam and Cuba—speaks for itself concerning Burchett's "independence." What is most remarkable about Burchett is not his record, but how he has managed to retain credibility and respectability in the eyes of so many Western intellectuals.

The effusive introduction to Burchett's memoirs by Harrison Salisbury provides an almost incredible example of this. A man who since 1945 has undertaken significant

public-relations tasks for the brutal regimes of Joseph Stalin, Matyas Rakosi, Mao Tse-tung, Kim Il Sung, Ho Chi Minh, Fidel Castro, and Pol Pot is described by the former Moscow correspondent and associate editor of the New York Times as a "humanist" and an "iconoclast." Salisbury writes:

"In many ways Burchett reminds one more of the old-fashioned, pre-1917 radicals than those of today's highly ideological confrontations, a Lincoln Steffens or a John Reed with an Australian accent. . . . Burchett is an individualist as far as radicalism is concerned. If his sympathies have a polarization, it is toward the cause of struggling, backward emerging nationalist regimes, typified by Cambodia and Vietnam. . . . Burchett . . . can be seen as sui generis, a radical who moves through a changing milieu, lending his sympathy to one cause after another not because of some Marxist doctrine, but because he believes in the underdog, whatever the continent, whatever the color, whatever the creed."

Salisbury has not been the only collaborator in Burchett's political success. In the New York Times Book Review of March 22, 1981, to take a recent case, Thomas Powers describes as a man of "uncommon honesty" the same Wilfred Burchett who portrayed Communist victims of Stalinist repression as "Titoist spies on behalf of Western imperialism"; who disseminated and possibly helped fabricate the lie that the United States was conducting germ warfare in Korea; who portrayed the Chinese-run POW camps in North Korea, where Allied prisoners were being tortured, as comparable to Swiss holiday resorts; who defended the Russian invasion of Hungary; and who dismissed critics of Hanoi and Pol Pot as "CIA elements."

Burchett has been similarly praised and defended by the cream of the Western press. On March 5, 1970, during his campaign against the Australian government's refusal to issue him a passport, the Times of London wrote:

"Few Western journalists who have witnessed Mr. Burchett's conduct in the East would think him anything but misguided in his enthusiasms. He sympathized with China, reported the Korean war from the Pyongyang side, and in due course went to Hanoi—but his writings show him to be an advocate of détente rather than a tough committed enemy of the West."

Not only was Burchett praised (and published) in the Times, he appeared in Lord Beaverbrook's Daily Express, as well as in the elite Financial Times, even after he had shown his true colors on Eastern Europe.

And not just the British were at fault. For years, as we have seen, Burchett found friends in the editorial offices of Le Monde, at CBS News, and the New York Times. Today Burchett is being promoted not by the Communist regimes whose causes he has served, but by the Western democratic liberals whose cause he despises. And in all this he is presented to readers not as what he is, a Communist propagandist, but as what he is not, an independent, radical humanist, or, simply, an "Australian journalist."

Burchett has not always been so misidentified in the American press. During the Korean war, when he was getting enormous space on the front page of the New York Times for his report on the condition of a captured American officer, the Times referred to Burchett as a "Red" and as a "Communist correspondent." As late as 1967 and 1968, when the Times was publishing articles by and interviews with Burchett from North Vietnam, it usually prefaced them with a caption such as the following:

"Wilfred Burchett, an Australian writer, has frequently been a spokesman for the Communists in East Berlin, Korea and Vietnam. . . . This article gives a Communist view."

But by 1970 a correspondent of the New York Times referred to Burchett only as an "Australian journalist . . . who reported on the Korean and Vietnam wars from the Communist side," and by 1971 Burchett had become "the left-wing Australian journalist." This identification continued throughout the decade until 1979, when the Op-Ed page began describing him as "an Australian journalist."

The New York Times Book Review followed the same pattern. As late as 1969, Frances FitzGerald, reviewing Burchett's book on Vietnam, described him as a "Communist propagandist." But in 1973 James C. Thomson (a former official in the Johnson administration, and since the 1970's the curator of Harvard's Nieman Foundation) called Burchett a "left-wing Australian journalist." (In 1977, Burchett was given the honor of addressing the Nieman Foundation at Harvard.) By 1981 he had become a man of "uncommon honesty."

Similar trends can be seen in the weekly Far Eastern Economic Review. Its editor gave an almost accurate caption to Burchett in 1968, but by 1973, when the Review published an article by Burchett (on the Lin Piao affair) as its cover story, Chou En Lai's Australian spokesman was not even being identified at all.

Finally, there is the treatment given by the Western press to Burchett's defamation trial. The allegations made in the Australian courtroom in 1974 were reported every day in Australia. The Times of London summarized the first day's testimony (by Krotkov) and then forgot the whole frightful business until the end, when it offered a tiny paragraph announcing that Burchett had lost his case. The Washington Post gave a summary of the evidence in one column, at the conclusion of the trial. The New York Times and Le Monde, the two Western newspapers which had afforded Burchett the greatest amount of space during the 1960's, when they were publishing many of his articles, failed to mention the trial at all. One might have thought that the same editors who had regarded Burchett's reporting on Vietnam as worthy of their columns would have found some interest in allegations that the writer was a Gulag bully-boy. But one would have been wrong.

Over the past thirty years Wilfred Burchett has been enormously successful in winning friends in the Western media. In part his success must be laid to his own exceptional talents as a kind of journalistic confidence man. He has been tireless in cultivating cordial relations with people of prospective influence in high places, and his polished personal manner, which reveals not a trace of fanaticism, has been extraordinarily helpful in this pursuit.

But in part Burchett's success, like that of a confidence man, has rested upon a favorable psychological predisposition in the minds of his victims. There seems to be a strand in our culture that is receptive to the message Burchett presents, the message of the benign and non-threatening nature of revolutionary Communist regimes. Though Soviet military moves in recent years have heightened popular concern about Western security, the case of Wilfred Burchett makes it clear that many of our leading intellectuals do not fully know, or do not wish to know, what the struggle is about. ●

THE CANCUN SUMMIT AND WORLD HUNGER

● Mr. BAUCUS. Mr. President, the international summit meeting recently held in Cancun, Mexico, brought most of the world's leaders together to discuss major global issues.

Unfortunately, most of the discussion focused on the economic climate within the United States or political relations between particular members of the summit. There was little constructive talk about a global problem which is of particular concern to me: World hunger.

Before the Cancun summit, I wrote to the President asking that he participate in discussions on world hunger. I was joined by six of my Senate colleagues and Representative GILMAN in expressing our desire that the President not go to Cancun to tell others the state of world affairs, but, rather, to listen and discuss with others possible global solutions to the ongoing tragedy of world hunger. I submit our letter to be printed in the RECORD.

Mr. President, I would also like to bring a series of New York Times articles to the attention of my colleagues. As we all know, the problem of world hunger is one of the most pressing problems facing us today.

In my opinion, these articles give an excellent analysis of the importance of the United States in the world agricultural economy, and they make clear the key role that Americans must play in order to solve the problems of world hunger and starvation. I ask that these articles be printed in the RECORD, also.

The letter and articles referred to follow:

U.S. SENATE,
Washington, D.C., October 19, 1981.

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

DEAR MR. PRESIDENT: We support the Petition to End World Hunger. This petition, which has been signed by thousands of Americans across the nation, urges you to support all efforts of the Cancun Summit Meeting to end world hunger and malnutrition, and to cooperate with all international efforts by that body to end mass hunger and starvation. This Petition to End World Hunger expresses the concern and compassion of grassroots America for the hungry of the world.

Such a position is consistent with the traditional and generous help the United States has always offered to those less fortunate than we, and is supported by the following facts:

In 1976, Congress approved a right-to-food resolution reaffirming the right of every man, woman and child on earth to a nutritionally adequate diet.

Congress recognizes the existence of a global emergency created by the hunger and chronic malnutrition suffered by an estimated one billion people; as outlined by both the Presidential Commission on World Hunger and the Brandt Report, this crisis threatens the security of all nations on earth.

The United States and other developed countries are free of mass hunger and have a moral responsibility to provide emergency relief to the starving millions in Africa, Asia and Latin America, and have a tangible interest in long-range assistance programs which help these peoples undertake development initiatives leading to self-reliance.

As this petition campaign and other public expressions of concern for the hungry clearly demonstrate, a significant number of Americans stand ready to make the sacrifices necessary to help free the starving of their misery.

We see in the upcoming North-South Summit Meeting a unique opportunity for your Administration to reaffirm and strengthen our commitment to eradicate world hunger

and promote global security. Therefore, we call upon you, Mr. President, to seek initiatives at the Cancun Summit that are aimed at eliminating world hunger. We ask you to lend all possible assistance to carrying out any recommendations flowing from that meeting that would alleviate the suffering caused by world hunger.

We issue this call, Mr. President, in the conviction that unless the United States and other developed nations are willing to share the fruits of our good fortune so that others might live, the holocaust of mass hunger and starvation will continue. And we believe that without an end to world hunger, there will be no justice; without justice, no peace; and without peace, no lasting freedom anywhere in the world.

Sincerely,

Max Baucus, Carl Levin, George J. Mitchell, Donald W. Riegle, Jr., Patrick J. Leahy, Harrison A. Williams, Jr., Benjamin A. Gilman, and John C. Danforth.

[From the New York Times, Aug. 16, 1981]

DEMAND OUTPACES WORLD FOOD SUPPLY
(By Ann Crittenden)

The world food situation is like a basket half empty, half full.

On the bountiful side, for the last three decades global food production has steadily increased, slightly outstripping population growth and enabling more people to eat better than at any time in history.

This year, world grain production is expected to set historic records, permitting some rebuilding of world food stockpiles. India, once written off as a hopeless case, has almost tripled its food production in the last 30 years. Laborers in the Soviet Union expect a regular portion of meat, and Chinese peasants no longer fear the killing famines that in the past have swept over the land.

500 MILLION SUFFER MALNUTRITION

Despite the real progress, however, there are still more hungry people in the world than ever before—both in absolute numbers and as a percentage of total world population. The rising cost of food has contributed to this situation.

By most estimates, more than 500 million people—roughly one out of every nine—suffer from serious malnutrition today, compared with 100 million to 200 million—one out of every 14 to 25 people—in the 1950's.

MISMANAGEMENT ADDS TO WOES

Refugee camps are still filled with wide-eyed children with swollen bellies. Millions of malnourished adults in Asia and Africa are still doomed to live and work far below their normal capabilities. And even in relatively prosperous countries such as Poland, economic mismanagement has produced shortages of food so severe that the population has taken to the streets.

The coexistence of bounty and want is, in short, as stark as it ever was. The reason is that food production has not kept up with rising incomes around the world, and those incomes gains are not being equitably distributed.

As more countries—particularly the rapidly developing middle-income countries—and wealthier people in those countries gain in purchasing power, they consume more food. This in turn puts pressure on food prices, and means that poorer people everywhere have a harder time buying enough to eat.

"There has been significant progress in a few developing countries," John Mellor, head of the International Food Policy Research Institute in Washington, said in a recent interview. "But the gains do mean that the poorest people will be worse off. It's a good development, but it is increasing inequalities."

"GHOST OF MALTHUS NOT BURIED"

"The ghost of Malthus," as Shahid J. Burki of the World Bank recently put it, "is not buried yet."

But the fact remains that the doomsday theorists who warned only a few years ago that a "human tidal wave" would swamp the world's capacity to produce food have so far been proved wrong. Between 1960 and 1980, thanks to the Green Revolution's new seeds and fertilizers, global corn and wheat yields have jumped by 50 percent, and rice yields by 30 percent.

As a result, by the late 1970's global per-capita food consumption had increased to 108 percent of the minimum essential for good health, according to the Food and Agriculture Organization of the United Nations, compared with slightly below 100 percent in the early 1950's.

MANY UNCERTAINTIES REMAIN

What are the chances of extending these gains, and more important, of translating them into food for the millions with empty stomachs? Will the 1980's bring a more secure world food system and more equal distribution of food, or a recurrence of the periodic shortages, price instabilities and inequities of the 1970's?

The answers to these questions are as uncertain as the weather. But most international food experts agree that in the next decade the world will be entering a new era, characterized more by food shortages than food surpluses, by widely fluctuating prices, and by a steadily widening gap between those who have plenty and those who go hungry. At worst, a disaster to dwarf the food crisis of 1973-74 is seen possible.

New stresses on the world food system are responsible for the insecurities that lie ahead. The most important structural changes are these:

Agricultural productivity in the United States seems to be leveling off, and idle cropland in this country has virtually disappeared. Because the United States now supplies more than half of the grain in world trade, this could mean less food available in the future for deficit countries.

The United States may also be forced to curtail its food exports because of accelerating soil erosion and the pressure of foreign demand on domestic food prices. Some experts, such as Walter P. Falcon, director of Stanford University's Food Research Center, believe that "the 1980's will almost surely see a reduction in the rate of growth of export supplies from the United States."

Even if exports of food from North America could continue expanding indefinitely, many believe that the very dependence of the rest of the world on a single region is a danger. According to the World Bank's Mr. Burki, if a drop of more than 10 percent in the North American grain crop coincided with a shortfall somewhere else, the result would be "disaster."

World food prices now rise much faster in times of scarcity, because of the spreading tendency of food-importing countries, notably Japan, the European Economic Community and the Soviet Union, to keep their domestic grain prices fixed. This means that, even when global food supplies shrink, consumers in these countries can continue to purchase the same amount of food and producers have no incentives to hold stocks or increase production. As a result, supplies do not adjust, international prices go higher than they would otherwise and the poorest food importers suffer.

The improvement in living standards and the growing demand for food around the world have put pressure on food prices, making it harder for the poorest countries to import their food needs.

MANY EATING MORE MEAT

Rapidly developing, middle-income countries such as Mexico, South Korea and Thailand are eating more meat than ever before. The Eastern European bloc—with the exception of hard-pressed Poland—has decided to maintain levels of food consumption through good years and bad. The Middle East oil producers have adopted Western diets with

abandon, increasing their food imports from 3.1 million metric tons, valued at \$350 million, in 1970 to 15 million tons, valued at \$3 billion, in 1980.

Behind these new consumers looms the enormous shadow of China. Its food imports tripled in the period from 1961 to 1977 and are still growing. In all, these purchasers are putting great pressures on the international grain markets and, consequently, on prices.

As a result of these trends, world grain prices are increasingly unstable. In the 1970's, world wheat price fluctuations were more than seven times greater than in the 1960's, and swings in rice prices were more than twice as extreme. Virtually all the authorities expect prices in the 1980's to be even more unpredictable, adding to the insecurity of the poor importing countries and of food producers and consumers in the United States, one of the few countries that allows international grain prices to be fully reflected in its domestic market.

Since the World Food Conference in 1974, a major goal of the antihunger movement has been the establishment of an international wheat reserve system to stabilize prices, so that poor countries could be assured of affording food imports in cases of emergency. But negotiations on a global grain reserve were adjourned without success in 1979, and the prospects for such a system being established now appear to be nil.

A MODEST WHEAT RESERVE

In late 1980, the United States did act to guarantee that a modest Government-held wheat reserve of 4 million metric tons would be established to backstop shipments of food aid in cases of severe food shortages. The United States is also committed to a minimum annual level of 4.47 million tons of food aid under the Food Aid Convention of 1980, which guarantees that at least 7.6 million tons of food aid a year will be available from exporting countries as aid.

Current food aid levels are about 9 million tons a year, of which about 6 million tons are from the United States. That amount is negligible compared with the needs of the food-deficit areas, however. According to the F.O.A., 72 low-income, developing countries received some 8.1 million tons of food aid in 1980, compared with import requirements of some 17.7 million tons of wheat, 4.6 million tons of coarse grain, and 4.3 million tons of rice over the 1980-81 crop year.

The poorest countries will obviously have to go into the commercial markets to cover their food deficits. To enable them to afford emergency purchases, the International Monetary Fund recently established a criterion for lending that would enable poorer countries to receive additional financing from the fund when their food imports rose above a base level. This could make an additional \$500 million to \$700 million available to food-short countries.

To keep such an influx of funds from pushing prices even higher, and to guarantee that the poorest countries would have access to grain purchases in tight periods, several international food groups, including the F.A.O., the International Fund for Agricultural Development and the World Food Council, have proposed an international food security reserve.

A 9- TO 18-MILLION-TON RESERVE

The reserve, which could be from 9 to 18 million tons in size, would assure developing countries that they would not be squeezed out of the world food market if prices skyrocket during a shortage. Grain exporters would promise to make available to the poorest countries in times of scarcity an amount of wheat based on their normal commercial import purchases. The sales would be at roughly commercial rates, although a ceiling on the price, based on long-term market trends, would be set.

Over the longer run, however, the only real world food security is an increase in food

production in the deficit countries. The World Food Council, a United Nations policy group set up in 1974 to monitor international food security; is working with some 50 developing countries to establish national food plans.

Food experts agree that greatly increased investment in technical assistance, irrigation networks and agricultural research will be necessary in the coming decades if the world is ever to achieve freedom from hunger. The World Bank, the chief international lending agency for such projects, is now putting 30 percent of its resources into agriculture, 80 percent of which is going directly into food production. The \$1 billion International Fund for Agricultural Development, based in Rome and heavily financed by the Arab oil producers, is also devoting all of its resources to agricultural development.

\$600 BILLION IN 10 YEARS

These investments are only a drop in the bucket compared with the world's need, however. World Bank calculations indicate that an investment of \$600 billion in developing countries, largely in expensive irrigation systems, will be required over the next 10 years just to maintain food supplies at present levels of hunger.

No one is sure where that vast sum will be coming from, or whether the agricultural development that is necessary will be accomplished before the next poor harvest years.

"Say the economic policies in the United States don't work, and we get heavy inflation here, and then a bad crop year or two," Mr. Mellor of the International Food Policy Research Institute speculated recently. "Food prices here soar, and the Government decides to slap on an export embargo, sending global food prices through the roof. What would a Tanzania or a Bangladesh—which already spends 80 percent of its export earnings on food imports—do then? That's the disaster scenario, and it's a perfectly possible eventuality."

[From the New York Times, Aug. 17, 1981]

WORLD HUNGER IS EXACTING HIGH HUMAN TOLL

(By Ann Crittenden)

Widespread hunger remains intractable throughout the world and is exacting a high human toll.

About half a billion individuals are still crippled by hunger, and a billion or more others should have a more varied diet, according to nutritionists.

The great majority of the undernourished—some 80 percent, by World Bank estimates—are women and children. In recent testimony before Congress, Jean Meyer, the president of Tufts University and a noted nutritionist, said the human toll of hunger took the following forms:

¶ Blindness caused by a lack of vitamin A occurs in more than 100,000 children every year.

¶ Up to 5 percent of the population in remote inland regions of Africa and South America, and in the Himalayas, are affected by cretinism caused by iodine deficiencies in childbearing women.

¶ From 10 to 50 percent of women in South America, Africa and Asia are estimated to have iron deficiency anemia.

¶ In adults and children alike, undernourishment brings listlessness, muscle wastage and a reduced capacity for learning or activity, a legacy that perpetuates the poverty at the root of the hunger issue.

This problem of pervasive deprivation, it is agreed, is the real hunger problem, affecting far more people than outright famine and far harder to solve.

As C. P. Timmer of the Harvard Business School put it in a recent paper: "The moral will of the rich is successfully spurred by emergencies; it is dulled by the chronic hunger of the masses of the poor."

The public has responded to famines, those crisis situations amenable to crisis solutions. In 1979 and 1980, publicity by such celebrities as Rosalyn Carter and Liv Ullmann prompted an unparalleled international relief effort for Cambodia that successfully prevented the wholesale starvation of the Khmer people.

This year, the emergency is in Somalia, one of the poorest nations in the world, where more than one million refugees huddle in 33 camps. Elsewhere, in Thailand, the Sudan, Zaire, Nicaragua, Honduras, and Pakistan, severe hunger faces as many as nine million more refugees.

TWO-THIRDS OF WORLD'S HUNGRY

The undernourished are less visible. Most are in Asia: in India, Bangladesh, Pakistan, Indonesia, the Philippines and Cambodia. These six countries, along with Brazil, Zaire and Ethiopia, account for two-thirds of the world's hungry.

In India alone, 300 million to 400 million people do not have enough to eat, despite the country's plentiful wheat stocks, and in Pakistan, 30 percent of the population is not obtaining the minimum level of nutrition.

Worst of all is sub-Saharan Africa, where the food supply is so limited that fully 70 percent of the population is not getting enough to eat, according to Joseph C. Kennedy of Africare Inc., a nonprofit agency for development in rural Africa.

The region, the only one in the world where per capita food production has declined since 1960, is rapidly becoming a chronic food deficit area. Most of the countries there cannot even afford to pay for essential food imports.

In his paper, Mr. Timmer of the Harvard Business School dealt with the question of "what do these people need to alleviate their hunger." His answer was that "they need more of their basic food."

"Hunger is a calorie problem," he added. "If solved by additional intake of traditional foods, especially basic cereal grains such as rice, wheat, or coarse grains, not only is the hunger problem solved but so too are many of the secondary nutritional problems, especially any protein deficiencies."

POVERTY AND INCOME DISTRIBUTION

Virtually all the authorities on world hunger agree that the problem is due not to overpopulation or a lack of food availability. Even at the height of the world food crisis in 1974, the world was producing two pounds of grain a day—more than 3,000 calories—for every man, woman and child on earth. The cause of hunger, it is agreed, is poverty and poor income distribution in most of the affected areas.

If poverty and inequality are the root causes of hunger, then it is not surprising, as Mr. Timmer puts it, that "successful relief efforts and a decreasing population growth rate in the third world have left much of the human hunger problem untouched."

The problem is that many of the people who most need food simply cannot afford to buy it. According to a recent study by Amartya Sen of Oxford University, in three of four contemporary famines—two in Bangladesh and two in Ethiopia—there was no decline in food output; a breakdown in the economic system and in people's purchasing power caused the starvation.

The higher the food prices, the greater the incidence of hunger, for in developing countries the poorest people already spend some 60 to 80 percent of their income on food.

NOT GIVEN HIGH PRIORITY

Another problem is that governments of the countries in which most of the hungry lives, with the recent exception of India, have not placed a high priority on food production or distribution.

According to the Food and Agriculture Organization, less than 60 percent of the world's cultivatable land is now under cultivation.

Less than 20 percent of the potentially arable land in Africa and Latin America is cultivated, and throughout the developing world, vast increases in food production could be achieved through the adoption of more sophisticated farming methods.

NEEDS OF FARMERS NEGLECTED

Most governments in developing countries have particularly neglected the needs of small farmers, although small farms produce most of the food in developing countries and have been shown to produce higher yields per hectare—2.471 acres—than large farms.

Many observers argue that this neglect of poor farmers, and inequity in the countryside, contributes both to widespread hunger and to stagnating food production. In their book, "Food First," Frances Moore Lappé and Joseph Collins maintain that this issue is especially acute in Central America and the Caribbean, where in the mid-1970's approximately half of the agricultural land was used to produce cattle and crops for export or for a domestic elite, rather than basic staple foods. The pattern changed after the revolution in Nicaragua, where the new Government has put the old cotton plantations into bean production.

In Mexico, the authors point out, more basic grains are consumed by livestock than by the country's peasants. And, they say, in the Sahel, a region in north central Africa, south of the Sahara, characterized by periodic drought, agricultural exports actually increased in the late 1960's and early 1970's, when the desert tribes were faced with mounting hunger.

RISE IN FOOD AID URGED

Sympathetic groups in the industrial countries have argued that more food aid, which has been declining in real terms, is needed to eliminate hunger. But the amounts that would be required to wipe out hunger dwarf the current amounts of aid.

According to Mr. Timmer's calculations, the world's calorie deficit amounts to 30 million to 50 million metric tons, compared with total food aid shipments of 8 million to 10 million tons in recent years. The deficit amounts to only 2 to 3 percent of world grain production, however, and 15 to 25 percent of internationally traded grain.

Moreover, it has frequently been demonstrated that food aid undermines the ability of countries to develop their own agricultural capabilities.

The only lasting solution to hunger, it is agreed, is not food aid but a more aggressive emphasis on agricultural productivity and food distribution within the food deficit countries themselves.

To achieve this, the international food agencies have suggested land reform and assistance for small farmers; the building of agricultural institutions with skilled personnel in developing countries; more research on tropical agriculture; sharply increased employment opportunities for the rural and urban poor and food subsidies for the needy.

The hungry themselves seem to agree that help in improving production is preferable to charity. Joseph Short, the executive director of Axfam America, an international hunger relief organization, said that, when it was distributing food rations one day last year in Cambodia, hundreds of poor waited quietly for their share, but when fishnets were handed out, the crowd cheered.

[From the New York Times, Aug. 25, 1981]

CONSUMPTION OF MEAT RISING IN THE DEVELOPING COUNTRIES

(By Ann Crittenden)

When Lowell Haskins, an American poultry breeder, visited Zambia not long ago, he was invited to lunch at the luxurious home of a Cabinet minister. The official's wife asked if he would like to see her chickens, and then led him outside. There in the back

garden were 300 broilers being fattened for the Lusaka market.

"It was like being invited to the home of Alexander Haig and having Mrs. Haig show you her chicken business in the backyard," said Mr. Haskins, whose Connecticut company, Arbor Acres, supplies almost one-third of the world's breeding stock for broilers.

POULTRY PART OF MEAT CATEGORY

All over the developing world, the production and consumption of meat are soaring. In the last five years, for example, the per capita consumption of poultry has risen by 24 percent in the developing countries.

The meat category, as defined by experts, includes poultry in addition to beef, veal, pork and sheep, goat and horse meats.

The trend is the most important change in global eating habits of the last decade, in the view of many food experts. Despite warnings in the early 1970's that the world's food-producing capacity could not sustain an American-style diet, people in Africa and the Middle East, in the rapidly growing countries of Southeast Asia and in Eastern Europe, Mexico and Brazil are using their rising incomes to purchase more meat.

The growth in meat consumption elsewhere is occurring at a time when Americans are reducing the amount of meat, especially beef, in their diet.

The United States exports 70 percent of the feed grains in world trade, supplying a foreign demand that pushes up the prices of feed grains and, therefore, of meat in the United States. As a result of the rising price of meat in this country, and because of declining real incomes and diet-health concerns, Americans themselves now eat 17 percent less beef per capita than in 1976.

"More by coincidence than by design, we have cut back on meat and made it possible for others, in Europe, Japan and the middle-income developing countries, to eat more meat," said Harold Breimeyer, an economist at the University of Missouri, in a phone interview.

A number of food experts believe the trend is a positive one. They see the growing number of farm animals as a buffer against famine, particularly in Africa and South Asia. If grain crops fall again in many countries, the animals there can be slaughtered, providing food and making grain that has been used for feed available for humans.

"The growing consumption of meat means we have more food reserves than we think," said Shahid J. Burki of the World Bank.

On the other hand, some agricultural economists believe that the trend toward more eating of meat reflects and exacerbates the growing gap between the better off and the poor around the world. Many worry that the demand for meat will contribute to serious food price inflation in the 1980's and, indirectly, to the spread of hunger around the world.

The rising consumption of meat in developing countries—fueled by rising incomes rather than population growth—is largely limited to the middle classes. Yet the trend puts pressure on the price of livestock feed and, in turn, on the prices that the very poor have to pay for food.

"The potential for feed grain demand in a dozen middle-income, oil-producing or skewed-income countries to 'drive' international grain markets in the 1980's is very real," said C. P. Timmer of the Harvard Business School. Mr. Timmer is particularly concerned about what could happen to world food prices if the Chinese make major purchases in the feed grain market in the 1980's, as they seem to be planning to do.

ADDED PRESSURE OF SYSTEM

There is no doubt that higher meat consumption puts added pressure on the world's food system. Lester Brown of the Worldwatch Institute in Washington has calculated that one person consumes about 180

kilograms of grain each year if it is eaten directly. But if he or she has a meat-intensive diet, the grain demand rises to 730 kilograms. A kilogram equals 2.2 pounds.

"Such a diet, aside from the health effects of producing more cholesterol and heart disease, just isn't sustainable," said Frances Moore Lappé of the Institute for Food and Development Policy in San Francisco. "If you compare the per-capita acreage required to sustain the American diet with cultivated land per capita in the rest of the world, you find we use twice the acreage that the world has available per capita. We call the trend toward a meat-centered diet a wish for the impossible."

UNMISTAKABLE TREND

Whether or not it is possible over the long run, the trend is unmistakable, and is reflected in these ways:

Today, more grain is fed to animals than is consumed by the 1.4 billion people living in low-income countries. The middle-income developing countries alone, including Brazil, Mexico, Taiwan, Singapore and Hong Kong, feed six times as much grain to animals as is eaten by humans in all of sub-Saharan Africa.

The proportion of grain consumed by livestock has doubled, from about 20 percent of total world grain consumption in 1960-61 to more than 40 percent.

Since 1970, the growth of grain consumption for animal feed has been twice as rapid as that of the consumption as food. According to World Bank calculations, one-third of all wheat and one-half of all grain imports go to feed livestock.

The Eastern European countries, including the Soviet Union, consumed 97 million metric tons of food grains in 1960 and used 67 million tons as animal feed. By 1981, food grain consumption was 126 million tons, while feed grain consumption had jumped to 186 million.

The big explosion is in the consumption of poultry, which, unlike pork or beef, is acceptable fare to most religious and ethnic groups.

Poultry is also the most efficient converter of grain to meat. A rule of thumb says that feeder cattle require eight calories of grain to produce one calorie of meat and pork requires four.

But chicken can produce a calorie of meat for every two or two and a half calories of grain, thanks to technology that between 1950 and 1980 reduced the amount of grain necessary to produce a four-pound broiler in the United States from about four kilograms to two kilograms, and reduced the time required for that growth to seven weeks from 13.

"Chicken is the meat of the future," commented John Schnittker, a Washington-based agribusiness consultant and former Agriculture Department official.

GROWTH IN CONSUMPTION

In the last five years, poultry consumption has risen almost everywhere. Per capita consumption, in kilograms, rose in Brazil from 5.3 to 11.1; in Venezuela from 12.8 to 15.6; in the Soviet Union from 5.7 to 9.1; in Japan from 7.7 to 10.5; in Hong Kong from 16.8 to 21.2; in the European Economic Community from 12.4 to 13.9, and in the United States from 24.1 to 29.5.

So many small-scale chicken operations have sprung up in northern India and Pakistan that the old Grand Trunk Road, from Calcutta to the Punjab, is now called "Poultry Lane." In the Yucatan, a thriving business has sprung up in the last three or four years to feed the tourist trade as well as the booming oil towns on the Gulf coast. And in the Sahel region and in Upper Volta in Africa, an explosion in the chicken population even tribesmen the same kind of food security they used to have when they killed off camels during hard times.

If another food crisis did occur, most food experts say, the trend toward meat would be reversed quickly. But, in the meantime, much of the world's food reserves consist of farm animals.

[From the New York Times, Sept. 1, 1981]
U.S. DRIVE FOR GRAIN EXPORTS STIRS DOUBTS
BOTH AT HOME AND ABROAD

(By Ann Crittenden)

A lifeline of ships streamed out of United States ports last year with more than half of the grain in international trade, carrying wheat to the Soviet Union and China, animal feed to South Korea and corn to Mexico. More than ever before, the world depends upon American exports for its basic food needs. This country now exports more grain than Latin America and sub-Saharan Africa together produce.

Thanks in part to aggressive promotional efforts, the United States has become the No. 1 supplier of ducks to Singapore, nudging out China. And in Peking itself, a model \$1.5 million bakery will soon be demonstrating the latest techniques in baking Western-style bread.

In the last 10 years, American farm exports have almost tripled in volume, surging 25 percent in the last two years alone.

In this bumper crop year, the United States will be shipping 163 million metric tons abroad—almost 40 percent of its harvest—and earning a record \$44.7 billion for its hard-pressed balance of payments. Two-fifths of the acre harvested in the United States now produce for export. Indeed, roughly five million acres produce for China alone.

EROSION AND INFLATION

This remarkable and unexpected growth has generally been viewed as an unmixed blessing—for the world's hungry, for American farmers and for the American balance of payments. But, ever so faintly, a chorus of doubts is beginning to be heard about whether an all-out agricultural export policy really helps feed the world or is even in the best interests of this country.

Critics of huge American grain sales emphasize two points. Many soil scientists maintain that huge agricultural exports are aggravating the increasingly severe problem of soil erosion in the United States. And, more important for American consumers, the critics assert that exports contribute to food price inflation.

If the current rate of export growth continues until 1990, pushing more marginal land into production, prices paid to farmers for corn, wheat and soybeans would have to increase more than 85 percent, according to Agriculture Department economists.

Price increases of that magnitude could squeeze some of the poorest countries out of the market for American grain. Some international food experts even worry that if food price inflation in the United States were to worsen perceptibly, political pressure might produce a sudden cutoff of food shipments abroad, with disastrous consequences to the countries that depend upon American grain for their margin of safety.

WARNING FROM OFFICIAL

M. Peter McPherson, director of the International Development Cooperation Agency, said during recent Congressional hearings, "Although the United States has traditionally served as the world's 'breadbaskets,' we cannot expand production indefinitely without boosting grain prices and damaging our own resource base."

So far, however, the Reagan Administration has pursued a policy of all-out maximization of exports, mindful of the powerful political pressure exerted by most farm organizations to keep exports high.

In the early 1950's, grain surpluses had grown so large that the Eisenhower Administration conceived the Food for Peace program, formally known as Public Law 480, to

let developing countries buy these surpluses on long-term credits. That was the beginning of a gradual rise in exports that continued until 1972, when huge Soviet grain purchases caused the figures to surge dramatically.

Last year, during the Presidential election campaign, Ronald Reagan promised a group of Iowa farmers that he was "committed to the aggressive expansion of agricultural exports." In a recent review, Under Secretary of Agriculture Seeley G. Lodwick said, "Many of us are using that statement as a general road map."

Agriculture Secretary John R. Block, himself a substantial corn and hog farmer, has made exports a cornerstone of his farm policy, a fact that he and other high department officials stress in virtually every speech they give. Questioned after a speech earlier this year at the Council on Foreign Relations in New York, Mr. Block declared that he could see no limit to American farm exports.

In their speeches, Agriculture Department officials stress that farm sales abroad provide more than 20 percent of farm income and some 630,000 nonfarm jobs producing, processing, shipping and financing the export trade.

"BUSHELS FOR BARRELS"

Above all, farm exports of \$40.5 billion last year paid for more than half of American oil imports. Supporters of flat-out farm exports talk approvingly of "bushels for barrels."

In pursuit of more sales, Mr. Block led a team to Brussels in May to warn the European Economic Community to grant greater access to American farm products, particularly soybeans and corn gluten. Government-industry sales missions this year have visited China and Yugoslavia as well as nations of northern Africa and South America.

Loan guarantees for agricultural purchases by foreign buyers, through the Commodity Credit Corporation, have been increased by \$300 million this year and will rise by \$200 million more in fiscal year 1982, to \$2.5 billion.

Above all, the Administration is keeping commodity loan rates low enough for farmers to have an incentive to sell in the world market. If farmers do not sell this year's record wheat harvest abroad, the Government will have to pay farmers some \$400 million in target price subsidies.

Despite these efforts, the pace of farm exports slowed this summer as a result of the economic stagnation in Europe, high interest rates, the strong dollar and competition, especially from Argentina. Nevertheless, another record tonnage for farm exports is expected next year. Government economists warn, however, that an anticipated drop in commodity prices could make export earnings slip below this year's level.

The Agriculture Department and private grain companies are also concerned about a new reluctance on the part of the Russians to buy American grain since the Carter Administration's curtailment of grain sales to the Soviet Union in January 1980.

The Reagan Administration ended this restriction, and it has negotiated a one-year extension of the two countries' five-year grain agreement, which was to expire Sept. 30. But negotiations for another long-term agreement have not yet been scheduled, and spokesmen for the grain industry say they expect the Russians to purchase less, both this year and next than they would have in the absence of the curtailment.

PARADOX SEEN IN POLICY

Some observers call it paradoxical that the Reagan Administration is trying hard to soak up the current wheat surplus by selling to the Soviet Union. "They have told us that the Soviet Union is a threat to our very survival and that we want to sell them more

food—it's confusing to the public," Dale E. Hatnaway, who was a Under Secretary of Agriculture in the Carter Administration and is now a Washington-based consultant, commented in a recent interview.

A growing number of critics are also suggesting that sales to the Soviet Union, among other countries, are being made at the expense of the American land itself. Heavy year-after-year planting of erosive export crops drains the soil of valuable nutrients, as farmers themselves acknowledge.

In Nebraska recently, a visitor viewed row after uniform row of bright green corn and soybeans carpeting the gently curving plain. Pointing to piles of dead trees and brush, a farmer explained that they came from windbreaks planted after the disastrous soil erosion of the 1930's but now dug up by farmers wanting to plant every last inch of their land, even at the expense of some of the topsoil.

According to William E. Larson, a soil scientist with the Agricultural Research Service of the Agriculture Department, about 1.25 million acres of cropland (out of 400 million acres planted) go out of production each year as a result of erosion, and some damage is being done to 100 million acres more of cropland. This, he says, is an "unacceptable" level of soil degradation.

Many of the effects of erosion are being masked by fertilizers. But a new Federal report predicts that over the next 50 years the United States will lose 15 percent to 30 percent of its corn and soybean yields if erosion continues at the present rate.

"There will still be adequate productive capacity to meet domestic needs," the report said. "Meeting projected export demands, however, will require an extensive conservation effort to protect the nation's soil resource base from excessive erosion."

Despite these warnings, however, the Agriculture Department spends only \$256 million a year to help farmers pay for soil conservation measures, compared with \$5.6 billion a year for commodity loans and payments.

There are other fears, too, about the country's dependence on farm exports.

Above all, sudden jumps in export demand have sometimes produced severe inflation in American feed grain and meat prices. A recent study, by the economists Ronald Anderson and Maurice Wilkinson of Columbia University, found that the huge sale of grain to the Soviet Union in 1972 cost American consumers a reduction of meat consumption valued at \$3.3 billion by 1975.

Exports have also contributed to rapid inflation in the price of farmland, according to many economists.

American farmers are now also vulnerable to good harvests abroad and drops in foreign demand, which can cause falling prices and farm failures in this country. Some farm groups say that net farm income, adjusted for inflation, is no higher now than it was in the 1950's and 1960's, before the export boom began.

In the view of some agricultural economists, vast export markets encourage large-scale, highly mechanized farms and promote the concentration of land ownership and the disappearance of family farms.

The necessity of farm exports as a way of paying for imported oil has even been challenged. An agricultural policy research group in San Francisco, the Institute for Food and Development Policy, has done a study indicating that for every dollar's worth of farm exports in 1980, American agriculture used the equivalent of 25 cents in imported oil.

POSSIBILITY OF EMBARGOES

Finally, some observers worry that the potential for a backlash against unrestrained food exports is so great that when the next bad crop years and price increases occur, the American public might force the Govern-

ment to declare export embargoes, as President Nixon did twice in the mid-1970's.

If that happened, international grain prices would undoubtedly skyrocket, and poorer countries might find themselves squeezed out of the market. Fully 85 percent of American exports to developing countries are on commercial terms. Only 15 percent of shipments to poorer nations are sold on concessional terms as food aid, compared with 50 percent 10 years ago.

The Agriculture Department has repeatedly stated its opposition to export embargoes or controls. But no provisions have been made to assure that the poorest nations will at least have access to commercial purchases of a certain amount of American food.

[From the New York Times, Sept. 7, 1981]

U.S. FARM PRODUCTIVITY MAY BE LEVELING OFF (By Ann Crittenden)

EMERSON, NEB.—Melvin Fischer has been living on the same piece of land here in eastern Nebraska for 46 years, and the living has been pretty good.

He and his wife, Margaret, have sent four children to college, with one to go. And they have acquired the usual accoutrements of prosperous American life, including that extra sign of the farmer: a side yard of machinery that looks like a John Deere sales lot.

Viewed from a different perspective, however, Mr. Fischer is not doing so well. He is paying so much more for nearly everything—land, fuel, pesticides, herbicides, fertilizers and seed corn—that he has to wring a lot more production out of the land just to stay even.

And his brother Lloyd Fischer, an agricultural economist at the University of Nebraska, is concerned that the extra output may not be forthcoming.

OUTLOOK FOR AGRICULTURE

Although many successful farmers do not recognize it, a great deal of the source of their prosperity—the much-vaunted productivity of America's farms—may finally be leveling off.

"Most agricultural scientists agree that we're probably going to see the growth in yields taper off, despite the fact that farmers are doing a better job of farming," Lloyd Fischer said in a recent interview.

Echoing this sentiment, Walter P. Falcon, director of the Food Research Institute at Stanford University, said during an interview in his office in Palo Alto: "The mechanical and fertilizer 'revolutions' seem to be about over, at least in terms of their productivity effects. Few new major breakthroughs are expected soon in seed technology. We've eliminated the surplus labor and gone to continuous planting of grain. I just don't see where it's going to come from in the near future."

A slowdown in the growth of agricultural productivity, one of the strongest bulwarks of the nation's economy since World War II, would have serious implications not only for the American economy but also for consumers all over the world. The steady improvement in United States farm productivity—which has grown five times faster than industrial productivity over the last five years—has enabled American consumers to reduce the percentage of their income spent on food from 24 percent in 1950 to 16.6 percent in 1980, one of the lowest percentages in the world. And relatively cheap American food is now critical to the diet of people from Tokyo to Lagos to Jamaica.

In the long run, some agricultural economists believe, the advantages of food production may even shift to the developing countries and to an agriculture less dependent upon expensive capital and energy. But for the next 10 years or so, the United

States must remain the residual supplier of the world's food needs. Among the other major unsubsidized food exporters, only Argentina still has considerable unused capacity, but its share of world grain trade is still less than 8 percent.

HIGHER PRODUCTION COSTS

If the 1980's bring higher costs of agricultural production in the United States while foreign demand for imported food continues to increase, the result will be higher food prices and lower standards of living on almost every continent.

Statistics on agricultural productivity are confusing. But according to Agriculture Department figures, while yields increased by an average annual rate of 2.8 percent between the early 1950's and 1972, the rate of increase declined to 1.1 percent a year from 1972 to 1979.

Yields did hit an all-time high in 1979 and were 9 percent above 1978, the previous record year. But, according to Lloyd Fischer, the gains are misleading. "When we look at yields per acre," he said, "we have to remember that inputs per acre are also increasing—in tractors that cost \$40,000, seed corn that is \$50 a bushel, more fertilizer and herbicides, land at \$2,000 and up and paid for with money that costs 20 percent. If you're putting more in, you have to get more out to stay even."

Labor productivity in agriculture, meaning how much time it takes a man to produce a given amount of food, has also long outstripped productivity performance in the rest of the economy. Since 1970, for example, labor productivity in nonfarming operations has increased by only 1.5 percent a year, while agricultural productivity has grown by 5.5 percent.

But Mr. Fischer argues that this, too, "is a fictitious statistic."

"WE RAISED OUR OWN POWER"

"When I was a kid on a farm," he explains, "we raised our own power—draft horses—and the fuel to go with them. We raised almost all of our own food, produced most of our inputs and did a lot of the processing of what we grew. The modern farmer doesn't do any of that. So now when you talk about one farmer feeding 50 people, you have to remember that a lot of people contribute to that production, compared with almost none 40 years ago."

Optimists point out that yields per acre are still showing healthy increases, and that improvements in farm management and the use of new plant-growth regulators, chemicals that enable plants to mature faster, can guarantee continued progress.

It is also clear that there is room for a major increase in productivity in developing countries, where fertilizer usage and agricultural research is just beginning. Just how significant technical change can be is illustrated by the fact that, from 1960 to 1980, average global corn yields went from about 2.1 tons to 3 tons per hectare, wheat yields from 1.2 tons to 1.8 tons per hectare and rice yields from 2 tons to 2.6 tons per hectare. A hectare equals 2.471 acres.

OUTLOOK FOR BREAKTHROUGH

Beyond these opportunities lies the potential for dramatic breakthroughs in plant research that could bring about a second Green Revolution. Innovations achievable through recombinant DNA research, such as the improvement of photosynthesis and nitrogen-fixation capabilities of plants and the evolution of disease- and stress-resistant plants are all distinct possibilities.

Nevertheless, none of these innovations are expected to arrive within the next 20 years or so, and many experts believe there may be a gap in productivity growth before the new technologies become feasible.

Among all the uncertainties about the prospects for future crop productivity, the most serious is soil erosion. It is now estimated to affect one-third of the crop land

in the United States. Erosion already demonstrably reduces yields in many areas, from corn and soybeans in the Middle West to cotton in Georgia.

The Agriculture Department has made a rough estimate that a continuation of 1977 rates of erosion would reduce yields by the equivalent of 23 million acres in 50 years (of a total of about 400 million acres planted).

ERODED PLACES POINTED OUT

Driving through his Nebraska fields, Melvin Fischer explains that he has several spots that are severely eroded and "won't get any results if I don't put on fertilizer—that's why I put on zinc and sulfur." Ten years ago he didn't have to use zinc and sulfur on the soil.

According to Mr. Fischer, one reason for the erosion is that "there is a lot of farming on land that should've stayed in pasture." To plant more crops to pay for their expensive land and equipment, farmers in this part of Nebraska have torn up orchards, railroad tracks and even the stands of trees that used to stop the wind from blowing topsoil away.

Farm productivity is also threatened by the depletion of ground water in many parts of the West. Over large areas, water tables are declining, and farmers have to pump deeper for irrigation water. This adds to energy costs that have already soared with rising fuel prices.

Heavier and heavier use of fertilizers has masked the effects of erosion on crop yields for years and has been essential to the growth of farm productivity. Between 1965 and 1978, while harvested acreage in the United States increased by 10 percent, the use of plant nutrients jumped by 90 percent.

A LIMIT FOR FERTILIZER

But the yield increases obtainable through fertilizer use may be leveling off, according to William E. Larson, a research soil scientist with the Agriculture Department. As evidence, he cites figures showing that the compounded growth rate of fertilizer use fell from 6 percent a year between 1960 and 1970 to 4.5 percent a year between 1970 and 1980.

Dr. Larson is also concerned, as he recently told a Congressional committee, that "our basic research information pool is not as great as it once was." During the 1960's when the main problem of American agriculture was overproduction, money was switched out of farm research and was spent instead on such problems as cancer. "All of that will hit in the 1980's, and we're beginning to feel it already," said John Mellor, head of the International Food Policy Research Institute, a nonprofit research organization in Washington.

The Reagan Administration spared agricultural research in its recent round of budget cuts, and private corporations are beginning to spend heavily on some of the frontier genetic research on plants. But the payoff from this work will not appear for at least a decade.

Vernon W. Ruttan, an agricultural economist at the University of Minnesota, said in an article published by the Conservation Foundation:

"The closest analogy to the present situation in American agricultural history was the period between 1900 and 1925.

"With the closing of the frontier, productivity growth declined. The new sources of productivity growth, chemical and biological technology, did not begin to emerge for several decades."

"My guess is that it will be at least another decade before the direction of technical change induced by the rising real price of energy becomes clear."

[From the New York Times, Sept. 18, 1981]

FOOD PROGRAM'S ADVOCATES FEAR CUTBACKS
WILL WIPE OUT GAINS IN NUTRITION

(By Gregory Jaynes)

ATLANTA.—In 1967, six pediatricians were dispatched to the South on a search for

hunger, and they found it in appalling quantity. Ten years later a second medical team came here for a look and concluded that although the diet of America's poor would still displease nutritionists, there was food in the icebox. The doctors agreed that in the decade that had passed, the corner would not have been turned without huge increases in the budget for Federal food aid programs.

Since 1967, the budget for such programs has risen about 3,000 percent, from \$585.5 million to about \$16 billion. However, in the fiscal year that begins Oct. 1, the programs will be cut by \$3 billion, a move that would, among other things, disqualify one million of the 23 million Americans now receiving food stamps and reduce the amount of food stamps for the remaining recipients by about 10 percent.

The cuts were proposed by President Reagan and approved by Congress as part of their effort to hold down Federal spending with an eye to improving the national economy and, by extension, the lot of all Americans. But critics contend that the result will be increased hunger and malnutrition.

FRUSTRATION AND FURY

"We are frustrated, furious, frantic, disbelieving that people would cut back on these programs," said Nancy Amidel, director of the Food Research and Action Center, a law firm and advocacy center in Washington that specializes in Federal food programs. "God knows there are a lot of people who still go without food, who still go hungry, but God knows it's a whole lot better than it was 13 years ago."

Just how much better has not been solidly documented, however. In 1969 the Harvard University psychiatrist Robert Coles could write a book called "Still Hungry in America," published on the heels of an extensive national survey on nutrition, but today no comprehensive picture of the state of America's bellies exists. Advocates of food programs say the United States Government, which at present has an overseas food aid program that amounts to \$1.6 billion, knows more about hunger in the Third World than it knows about empty iceboxes here.

For its part, the Reagan Administration says "safety nets" built into the systems will catch acute needs for food and other social services. Administration officials argue that families who will lose their food stamps altogether earn as much as \$14,000 a year and are well able to get by without Government help, and that those who will have their benefits reduced will still receive enough assistance so that they will not go hungry.

Since there has been no systematic examination in recent years of hunger in America and the ability of Federal programs to relieve the problem, the effect of the budget cuts cannot be known until after they take effect.

Widescale hunger, apparently, was of little concern to any administration until the beginning of World War II, when thousands of young men too malnourished to be drafted came under the stethoscopes of military service physicians. A committee on nutrition for national defense was established. Nutritional standards were worked out, and for a short while there was a fledgling and not all that successful food stamp program. In 1946, a school lunch act was passed as a measure of national security.

Over the years, the Agriculture Department had a commodities program that relied on national surpluses and county bureaucrats to get food to the poor. Sometimes it worked, and sometimes it did not. Its effectiveness was never extensively measured. But all the while, the authority to do something about hunger and malnutrition in America lay on the books, as a measure of national security, and it was this authority that President Kennedy, after having seen the distended bellies of West Virginia while campaigning in 1960, seized to set up the food stamp program in 1961. It was 1967,

however, before the issue touched a national nerve.

That was when the Field Foundation, a nonprofit research organization based in New York, sent the first team of pediatricians here. The doctors examined several thousand children across the South.

"Wherever we went and wherever we looked," they reported back to Congress, "we saw children in significant numbers who were hungry and sick, children for whom hunger is a daily fact of life, and sickness in many forms, an inevitability. The children we saw were more than just malnourished. They were hungry, weak, apathetic."

FINDINGS ON NUTRITION

That Congressional testimony led to the establishment of the Senate Select Committee on Nutrition and Human Needs. Its mandate was to determine the amount of hunger and malnutrition in the United States. In 1968, the most extensive survey this country has ever conducted on nutrition was begun by the Department of Health, Education and Welfare. About 47,000 people were examined. The findings, along with some independent surveys of the time, were that millions—some estimates went as high as 35 million—of Americans suffered from serious vitamin deficiencies.

Some researchers read the data and determined that as many as 10 million Americans were hungry, and others said the estimate was high. The only thing everyone agreed upon was that malnutrition and little or no income were related. Every year thereafter substantially more funds were found to feed and shore up the incomes of the poor, and country and western singers began warbling about people on welfare driving Cadillacs.

When the Field Foundation sent its second medical team here for a survey in 1977, along with teams to Appalachian Kentucky, the Bronx, Mexican-American ghettos of Texas, migrant work camps in Central Florida and coastal South Carolina, the overall conclusion was encouraging.

"Our first and overwhelming impression is that there are far fewer grossly malnourished people in this country today than there were 10 years ago," the teams reported. "Malnutrition has become a subtler problem. In the Mississippi Delta, in the coal fields of Appalachia and in coastal South Carolina, where visitors 10 years ago could quickly see large numbers of stunted, apathetic children with swollen stomachs and the dull eyes and poorly healing wounds characteristic of malnutrition, such children are not now to be seen in such numbers. Even in areas which did not command national attention 10 years ago, many poor people now have food and look better off."

"In fact, the facts of life for Americans living in poverty remain as dark or darker than they were 10 years ago. But in the area of food there is a difference. The food stamp program, the nutritional component of Head Start, school lunch and breakfast programs, and, to a lesser extent, the women-infant-children feeding programs, have made the difference."

"A CRITICAL IMPERATIVE"

In 1979, the foundation said, "While only the barest subsistence needs are being met by Federal food programs, those programs are proving a critical imperative to the nation's health." The organization also lamented that "the nation continues to be plagued with a lack of sophisticated data about its nutritional well-being." According to health officials in Washington, there has not been another Federal survey the scope of the one conducted in the late 1960's because of the enormous cost, and because there has not been enough political or popular pressure to justify mounting another one.

Food program advocacy groups these days

monitor two continuing studies, one by the national Center for Disease Control here and the other by the National Center for Health Statistics in Washington, both of which in the last decade have indicated continuing improvement in nutrition across the country.

The Atlanta center says its studies lately have caused more concern for anemia and obesity than for hunger.

MORE FOUND OVERWEIGHT

In the second quarter of 1980, the period for which the most recent statistics are available, the center determined that of 58,000 records from public clinics in 25 states, 14.8 percent of people of all ages had symptoms of anemia, and that of 61,000 records from the same sources, 3.4 percent of the people were significantly underweight, and 9.7 percent were significantly overweight. Since the records come from public clinics, most of the patients examined tend to be from low-income families.

The surveys by the National Center for Health Statistics, which do not deal specifically with the poor, have, according to Director Robert Murphy, "found virtually no one with classical signs of starvation." Results from the center's 1980 survey will not be available until later this year, but he said there was some indication that the population was becoming more anemic.

Elsewhere, independent researchers report that while cases of starvation are isolated and rare, households where the head of the family is poor and poorly educated are where much of the anemia, obesity and vitamin deficiency occur in the United States.

AREAS WITH WORST DIETS

Some of the worst diets in the nation, according to researchers, exist in the American Indian populations of the South and the Southwest, the migrant labor camps of central Florida and rural black communities from Texas across the Southeast to the Atlantic.

Nonetheless, in interviews here and elsewhere in the country, social workers and advocates of food programs said that bad diets were better than none, and they expressed bitterness about a national conservatism that would move against the impoverished.

Here in Atlanta, the executive director of the Georgia Coalition Against Hunger, Sandra Robertson, said, "In a sorry economy, people need to blame somebody, and what this Administration did was clearly see that poor people are the problem."

In Georgia, Mrs. Robertson said, 25,000 recipients will be "knocked off food stamps immediately," and 30,000 recipients of Aid to Families with Dependent Children will come off the rolls Oct. 1. "Another 10,000 will get drastically reduced benefits," she said.

"Malnutrition and hunger still affect a lot of people and a lot of families," Steve Suits, director of the Southern Regional Council, an organization with deep roots in the civil rights movement, was saying in his Atlanta office the other day. "But it just doesn't grip the national conscience any more."

[From the New York Times, Sept. 21, 1981]
U.S. SEEKS SEED DIVERSITY AS CROP ASSURANCE
(By Ann Crittenden)

FORT COLLINS, COLO.—In a gray building about the size of a large movie theater here on the Colorado State University campus, the Federal Government is stockpiling several billion seeds—samples of all known varieties of the world's major food crops.

In this innocuous and unguarded facility, subject to power failures and so crowded that the seeds are piled on the floors in brown cardboard cartons and sacks, the germ plasm on which all global agriculture is based is supposed to be preserved forever.

Whether plants no longer growing in nature can really be preserved under such con-

ditions is a matter of controversy. But while specialists debate the feasibility of seed storage, they agree without reservation that something must be done to prevent the loss of wild and no-longer-cultivated food plants.

More and more of them are disappearing the victims of encroaching development and land-clearing for a few high-yielding "miracle" seeds.

Indeed, to many environmentalists, the spreading extinction of plants—accompanied by the increasing genetic uniformity of the crops consumed by man—is "the most serious single environmental problem," as Paul and Anne Ehrlich put it in their new book, "Extinction."

Others, like Donald N. Duvick, director of plant breeding for Pioneer Hi-Bred International Inc., believe the problem is less serious than it was 10 years ago, when there was even less genetic diversity in commercial corn, for example. But even Dr. Duvick wrote recently that he was dissatisfied with "the margin of safety" in agriculture today.

"We must do everything possible to increase the number of popular varieties in each crop and to increase the useful genetic diversity among those varieties," Dr. Duvick told a congress of botanists in Australia last month.

The problem is that modern commercial agriculture depends upon a handful of plant varieties—wheat, rice, corn and a few other grains. Only six cultivars, or plant varieties, account for 38 percent of wheat acreage, 43 percent of corn acreage and 42 percent of soybean acreage, according to a survey taken last year by Dr. Duvick. (The Agriculture Department has no figures on crop concentration since 1969, when even more acreage was planted in the same few varieties.)

The lack of genetic diversity within these major crops means that one pest or disease could wipe out a significant proportion of the crop overnight. In 1970, for example, Southern leaf blight destroyed approximately 20 percent of the United States corn crop. And 25 percent of bread wheat and 75 percent of pasta wheat was wiped out by wheat stem rust in 1954.

WIDE "GENE POOL" NEEDED

To be able to continue developing high-yielding varieties that resist ever-emerging diseases, breeders need to have access to as wide a "gene pool" as possible. Therefore, preservation of the wild and weedy relatives of the basic food crops is essential if global food production is to stay ahead of demand.

A few plant scientists—notably an outspoken botanist from the University of Wisconsin named Hugh Iltis—want to "freeze the genetic landscape" by preserving all of the indigenous plants in the subtropical regions where most crops originated, from Mexico to Turkey to China.

"Seeds banks may help plant breeders today," Dr. Iltis said in a recent telephone interview, "but preserve varieties over 1,000 years? Forget it. The only thing we should do now is work like mad to help the countries with the richest flora to set aside natural parks that cannot be touched."

Dr. Iltis has first-hand experience with how important still-undiscovered plants can be to the world food supply. In 1962 he spent a month in the Peruvian Andes on an expedition to collect wild potatoes for colleagues at the University of Wisconsin.

One sunny afternoon, as he was eating a lunch of tasty yellow boiled potatoes, avocados, oranges and cheese, he spotted a scrubby wild tomato, and on an impulse casually collected a few seeds from its green and white berries for a tomato geneticist in California.

NEW SPECIES DISCOVERED

Last year Dr. Iltis ran into the man at a conference in Vancouver, British Columbia, and learned not only that the plant was a new species, with a very high sugar content

and a delicious flavor, but also that it could easily be crossed with the commercial tomato.

If the new strain is widely incorporated into the American tomato crop, the processing industry could realize as much as \$50 million in additional profits over a decade, Dr. Itlis estimates.

More recently, the Czech-born scientist played a key part in the discovery of a strain of perennial corn (teocinte) in the state of Jalisco in Mexico. The weedy nondescript plant, which can be crossed with cultivated corn, has already proved to be immune to several major virus diseases.

By one estimate, if the teocinte could add only 1 percent to yields through incorporation of genes for disease resistance, it would increase the value of the American corn crop by \$150 million to \$200 million each year. Eventually the teocinte discovery could even lead to production of perennial corn, which would not have to be replanted year after year.

The Agriculture Department is trying to address the problem of crop uniformity by storing plant germ plasm here at the National Seed Storage Laboratory and at several smaller storage facilities around the country.

REFRIGERATION BREAKDOWNS

By Agriculture Department officials' own admission, however, the three-level Fort Collins facility is already full, and the refrigeration equipment necessary to preserve the seeds' viability suffers regular breakdowns. Similar conditions reportedly exist at the regional seed storage laboratories, partly because of the system's tight budget.

The Federal Government spends a total of about \$12 million a year on germ plasm collection and storage. This is less (after adjustment for inflation) than was spent in 1967, and officials say that the Reagan Administration might even reduce the amount of money available for the program.

In a report earlier this year, the General Accounting Office, a Congressional agency, concluded that the lack of funds, and of managerial competence within the Agriculture Department, in effect increases the risk of potential crop failures in the United States.

In the chilly seed storage rooms here, sacks of seeds are piled on the floors, overflowing the laboratory's facilities. According to Louis N. Bass, the director, only about half of the roughly 240,000 seed accessions, or collections, in the laboratory have been catalogued, and the facility is already full.

The failure to catalogue means, among other things, that plant breeders who are trying to develop resistance in a given species to a certain pest or disease or weather condition cannot know which of the seeds collected may have that trait. They may have to spend years growing out different varieties to find the characteristic they need.

In one room, the world collection of guayule seeds—left over from the World War II breeding program that sought to develop a new source of natural rubber—is stored in 27 drums of 30 to 50 pounds. The seeds have not been grown out since that time, indicating that most of them have probably lost their viability.

According to Mr. Bass, stored seeds must be planted and grown out to produce fresh seeds within about five years. If not, they lose their capacity to germinate. Because of a shortage of funds, the laboratory grows out seeds so infrequently that only about 25 to 40 percent of the seeds in some collections germinate.

Furthermore, seeds are not always grown out in the regions from which they came. According to the agricultural botanist Gary Paul Nabhan, Hooi blue corn, which has the desirable characteristic of growing in areas with less than 10 inches of rainfall in a year, is grown out in Ames, Iowa, where there is plenty of rain.

LOSING SPECIAL QUALITIES

Over several generations, he explained in a recent telephone interview, the corn will adapt to the wet conditions, and its valuable special qualities will be lost.

Seeds may also undergo mutation during storage. And there is evidence that natural selection takes place during storage and subsequent growing out of seeds, so the germ plasm that survives the process is not the same as the material that was collected.

According to Eric Roos, a plant physiologist at the National Seed Storage Laboratory, "Within five or 10 years of storage, you may have lost half of the genetic material you started with."

Mr. Roos and other scientists hope that seed storage in liquid nitrogen, at extremely low temperatures, would be more effective. But they acknowledge that switching to such a system would be enormously costly.

"I don't think the roof will cave in on us tomorrow," Anson J. Bertrand, director of the Agriculture Department's Science and Education Administration, said in a recent telephone interview. "But we can't do the work that must be done if we're to have the germ plasm we'll need in the future."

[From the New York Times, Sept. 25, 1981]
SOMALIS, ENFEEBLED BY HUNGER, STILL EXPORT FOOD

(By Alan Cowell)

BERBERA, SOMALIA.—A blunt, gray vessel docked here the other day, its decks crammed with empty pens. Soon, trucks began to arrive through the heat haze from the parched uplands of the Horn of Africa, laden with sheep and goats. The animals were loaded into the pens, and the vessel sailed for Saudi Arabia, where the livestock will be slaughtered and used to feed Islam's faithful on their annual pilgrimage to Mecca, known as the Hajj.

Somalia is a Moslem nation, so when its believers go to Mecca, they will probably end up eating Somali meat. At home, paradoxically, food is a more complex issue, for Somalia falls into a category of African and third world nations that export food to nourish other markets, but cannot provide enough for themselves.

Livestock exports earn over 80 percent of Somalia's foreign exchange, and as long ago as the late 19th century its vast herds were used to feed foreigners.

The British created a colonial protectorate in these northern uplands, to guarantee a supply of mutton for their troops across the Gulf of Aden in what is now Southern Yemen. According to the latest statistics, Somalia boasts 5.2 million camels, 3.7 million cattle, 9.4 million sheep and 15.2 million goats. That is about 10 animals each for the three out of four people in this country who are not refugees.

HALF OF NATION'S FOOD IMPORTED

Yet, drought, war and seemingly high-handed Marxist policies have contributed to a slide away from food self-sufficiency, a decline that now seems likely to transform a Western emergency operation for the refugees of the Ogaden war with Ethiopia into a long-term, open-ended commitment.

Somalia, at present, imports half the food consumed within its borders, much of it provided in the form of aid for those who fled the border conflict in 1977 and 1978. United States assistance last year totaled \$90 million, two-thirds of it for the refugees who live in 35 camps dotted around the country. Somalia is considered the world's eighth poorest nation, with per capita income estimated at less than \$100 a year.

These parlous conditions are said by Western economists and Somali officials to be the result of a series of calamities in the 1970's. These eroded a traditional style of life in which the nomadic herdsman and

subsistence farmers, who make up 80 percent of Somalia's population, lived on a diet composed variously of camel and goat milk, the meat of slaughtered animals, corn and sorghum.

In 1974 and 1975, a drought wiped out the herds of almost a quarter of a million nomads. Skilled workers left the country for the high-wage oil nations of the Persian Gulf. The Iranian-Iraqi war that broke out last year cut off Somalia's supplies of cheap Iraqi petroleum. Most damaging of all, the Ogaden war sent more than a million people fleeing into Somalia, increasing the population by a third in the space of a few months, and overtaxing frail resources.

POPULATION GROWING RAPIDLY

According to World Bank estimates, little improvement is in prospect without a large development effort. The population is growing at an annual rate of 2.6 percent, the herds are overgrazing the ranges and a lack of reliable water supplies means that only 8 percent of the potentially arable land can be cultivated. At the same time, food production is falling.

The corn crop last year was down 10,000 tons from 1970's yield of 122,000 tons. The banana crop in 1979 was half the 103,300 tons recorded in 1978.

Western experts attribute the dramatic fall in food production to the policies of "wealth-sharing based on knowledge"—the Somali version of "scientific socialism"—that grew from the 1969 coup in which President Mohammed Siad Barre came to power. Strict state control of the economy led to low farm prices, while price controls in the city adversely affected the countryside's terms of trade with urban centers. A recent unpublished study from the California Institute of Technology says this created "a disincentive for farmers to produce."

The report also says that the Government does not seem "prepared to make the major changes that are necessary to revitalize the rural sector," despite some loosening of its grip on the economy.

NO FUNDS TO IMPROVE FARMING

"It is a vicious circle," a Somali economist said. "Somalia does not produce enough food to feed itself, so it has to import food. Add the oil bill to the food bill and there isn't enough left over to improve agriculture. So less food is grown, and more is imported, and so on." Last year, the economist said, the oil bill alone was more than total export earnings.

Yet, there is another side to the story that reflects the kind of dealings, outside the formal economy, by which many people in Africa these days circumvent economic deprivation. Farmers sell their produce on the black market, not through the official channels, and whatever the statistics say about personal wealth in Somalia, many Somalis count their capital in terms of the livestock they own. Even city-dwellers often have an investment in a distant herd, tended by nomads. According to students of Somali society, a camel still ranks as the most prized asset.

The World Bank and other analysts estimate that over the next 20 years, up to a million nomads will have to be persuaded to abandon their traditional livestock-raising and up to 3,000 square miles of virgin land will have to be opened up to small-scale farming if Somalia is to cope with its population growth.

"A MASSIVE PROGRAM"

"This is a massive program by any standard," says a recent United States assessment, "and it does not involve a single refugee."

The huge international relief operation in Somalia costs about \$150 million a year and, contrary to government policy, the camps are slowly turning into permanent settle-

ments that further tax Somalia's resources. "A situation needs to be anticipated whereby a large number of refugees will have to be settled within Somalia," a Western expert said.

As with Somalia's own economy, another analyst said, this implies a need for assistance long after the immediate refugee crisis is settled.

[From the New York Times, Sept. 28, 1981]

REAGAN WALKING A TIGHTROPE ON FARM POLICY

(By Seth S. King)

WASHINGTON.—In its basic outline, President Reagan's farm and food policy is quite simple: Do what most of your predecessors have done, only less, whenever possible.

The avowed objective of this policy is to help American farmers make as much money as they can in the market place. This, in turn, is supposed to insure manageable supplies of food for the United States and for anyone else with the cash to buy it. And this, in sum, is supposed to win political support throughout the nation and diplomatic successes throughout the world.

The President had hoped these objectives could be attained by removing the Government from a sector of the economy where it has played a major role for decades.

THE UNWANTED RELIEF

Throughout his campaign for the Presidency, Mr. Reagan promised farmers he would get the Government off their backs and keep it off. But he has discovered, to his sorrow, that the farmers, or at least the farm state members of Congress and the commodity lobbies that contribute so generously to their campaigns, do not want this at all.

In a sense, the President is like a man caught with one foot on a slippery rock and the other on a crumbling riverbank. If he succeeds in holding down the levels of farm price support loans and subsidies contained in the farm bill passed by the Senate and scheduled to be taken up by the House early next month, he will alienate some of his strongest political supporters.

But if he loses in his now-temporized fight to hold down Federal aid to farmers, he will be faced with increased Government expenditures that could add \$1.5 billion to the budget for the fiscal year 1982, which begins Thursday. It is Mr. Reagan's contention that the larger budget deficit resulting from such spending will make it even more unlikely that high interest rates, the single biggest complaint of farmers, will come down.

MODIFIED STAND FOR VOTES

In return for votes of farm state Democrats on his budget and tax plans, Mr. Reagan has already backed away from portions of the new farm program he had said he wanted.

But while this has antagonized consumer advocates, the President's efforts to slash dairy price supports and restrain grain subsidies and loans has angered many farmers who were previously faithful supporters. This anger has added to the dismay among farmers that began when the President delayed for three months on his promise to lift the curtailment of grain sales to the Soviet Union, heightening farmers' fears that the Russians had found other sources for their grain imports.

Such fears have been realized as American grain sales to the Soviet Union are roughly a third of their level before the curtailment. The Soviet Union has found new places to buy grain; for example, it has purchased corn from such countries as Argentina and Brazil.

Critics of the Administration's farm policy complain that it has shown a lack of planning as well as a lack of sensitivity to the needs of Congressmen in protecting their state's commodities.

Ellen Haas, director of consumer division of the Community Nutrition Institute, a consumer advocacy group, contends the President has failed the nation's consumers on two fronts. On one front, she says, he has cut food stamp allotments, lowered nutritional standards in the school lunch program and cut the program itself, then eliminated the Agriculture Department's nutritional advice programs. On the other front, she says, he has made political deals that prevented changes in the farm laws that could have held down retail food costs.

"The Administration has lacked a comprehensive approach," she said recently. "The Reagan people talked big about cutting Government farm costs, which could help hold down consumer food costs. But they showed a lack of concern for consumers, especially lower-income consumers, when they caved in on sugar and peanut supports."

In its basic structure the Reagan Administration's farm policy is similar to the Carter Administration's. And the nation's agriculture climate is remarkably similar to the one Mr. Carter faced four years ago when the current farm bill was passed. Then, record grain surpluses held out the hope of a slowdown in food price inflation but caused a painful loss in farm income.

Like its predecessor, the Administration has continued to provide increasingly larger amounts of money for agricultural research. And it is planning a new soil conservation campaign, albeit with a format placing more responsibility on the states to help pay for it and enforce it.

A REVERSAL IN DIRECTION

But the fiery consumer advocates are gone from the Agriculture Department's consumer affairs division. And instead of the battles they waged for stricter, more complex food inspection and labeling rules, the Reagan group is revising and streamlining many of these rules, which the agricultural industry detests.

Economically, Mr. Reagan is facing the same dual farm problems that have troubled all Presidents beginning with Franklin D. Roosevelt: how to handle grain surpluses, which diminish farmers' prices while keeping the Congressional farm bloc from breaking open the Treasury to bail out their constituents.

His difficulties in solving such problems were compounded this month by another record wheat crop and the prospect of a record corn crop. Grain prices, which were comfortably high last winter when Mr. Reagan was inaugurated, have been declining since midsummer, just at the time farmers have to make their first payment on machinery and operating loans they took out at 18 percent interest.

The 1977 farm law expires Wednesday, and John R. Block, the Illinois hog and corn farmer who is Secretary of Agriculture, is seeking another four-year farm bill that will continue the price support loan and grain reserve programs for most commodities in their current forms, but at cost levels within the Administration's budget goals.

"A SIMPLE, BASIC AIM"

Mr. Block recently summarized the President's farm philosophy in this way: "It has a simple, basic aim and that is profitability for the agriculture community."

He said he and the President believed that a "healthy, profitable, high-producing agriculture was the greatest contribution the Administration could make to American consumers and the rest of the world."

"The means toward that end," Mr. Block declared, "are expanding markets for American farmers and the opportunity for those living on the land to make more decisions without interference from the Government."

But circumstances are forcing Mr. Reagan to rise above these principles, at least the noninterference segment.

Last summer, in return for the votes of Southern Democrats on his budget and tax bills, Mr. Reagan agreed to drop his opposition to a sugar support loan program that would get the Government back into the costly business of holding up sugar prices by eventually buying and storing sugar American producers cannot sell at the support prices.

PEANUT SUPPORTS UNTOUCHED

He also agreed to leave the restrictive peanut price support program alone instead of opening the industry to free, competitive production that might have increased the supply. Even without the President's support, free-enterprise Senators did manage to end acreage allotments, one element of these restrictions. But marketing quotas for peanuts will remain in the new farm law unless the consumer advocates in the House can remove them.

To placate powerful Republican Congressmen from the Middle West, Mr. Reagan also abandoned his earlier efforts to end subsidy payments to grain and cotton farmers on next year's crops, a retreat that could cost the taxpayers \$500 million to \$1 billion in the fiscal year 1983.

Moreover, after insisting all summer that the Administration would not try to check the expanding grain surpluses by restricting the size of next year's wheat and corn plantings, Mr. Block reversed himself and said he would require a 15 percent reduction in wheat acreage in return for Government farm aid.

He is expected to invoke a similar reduction later this fall on 1982 corn acreage, something the major farm organizations are urging him to do. These limitations should reduce the size of next year's grain production. But if there is another drought next summer, yields would be reduced even further, prices would rise again and America's livestock producers, as well as foreigners who buy such grains here, would have to pay a lot more for wheat and corn.

ACTION ON DAIRY PRICES

Mr. Reagan's other efforts to prevent farm commodity surpluses from getting further out of hand have yielded no other cheers from the farmers.

To Washington's bemusement, the President stared down the powerful dairy lobbyists, previously among his more ardent supporters, and persuaded the Senate to reduce the dairy price support levels and eliminate inflationary annual adjustments. The Senate also gave in and agreed to set lower loan rates on wheat and corn. Both of these actions could influence farmers to reduce their dairy herds and, where possible, shift more of their land to other grain crops.

Farmers are saying this may sound all right to the economists, but, faced with heavy debt loads at high interest rates, they may not be able to afford to reduce their production at all next year.

Max Naylor, a prominent grain farmer near Jefferson, Iowa, said he doubted that anything would reduce the grain surpluses very much except a return to large export to the Soviet Union.

DOUBT AMONG GRAIN FARMERS

"But it looks to us like Halg, the Secretary of State, is really in control of agriculture as far as dealing with the Russians is concerned," he said, "and we don't believe the Reagan people are pushing hard enough to sell them more."

According to Mr. Naylor, American farmers certainly had been enthusiastic about Mr. Reagan, particularly in his promises to curtail inflation and balance the Federal budget.

"Most farmers like the President and want him to succeed," he said. "But the medicine we're having to take on these interest rates is worse than the cure. I'm beginning to hear the rumbling of discontent around here. They had better raise those grain loan rates

up closer to what it costs us to plant or there'll be a lot of unhappy farmers in this area."

To offset effects of the delay in lifting the Soviet grain curtailment, Mr. Block's foreign trade specialists have taken up where the Carter Administration left off in promoting American farm products in most parts of the world.

BLOCK'S "DIPLOMATIC TOOL"

Despite the recurring differences with the State Department that Mr. Naylor complained of, this hustling has continued to include the Soviet Union, China and any other Communist country with cash in its coffers and a desire to improve diets.

"We continue to believe that food can be a useful diplomatic tool," Mr. Block said. "But it's effective only if the United States is a reliable supplier that will not stop trade just to control domestic prices."

The Reagan Administration is continuing the Food for Peace program (Public Law 480), under which the Government guarantees loans to developing countries for grain purchase and sells surplus farm commodities at reduced prices to charitable organizations for distribution abroad.

The program was a handy diplomatic tool for Mr. Reagan last summer when he used \$45 million of it as an emergency loan to Poland after a Soviet threat to invade that country diminished.

A SENSE OF DEJA VU

"The PL 480 program is one part of our intention to play a major leadership role in insuring adequate food supplies for the rest of the world," Mr. Block said. "In addition, the farmer held grain reserve and our strategic wheat reserve, held by the Government for famine relief, provide food security for the rest of the world."

At the beginning of his term as Secretary of Agriculture, Mr. Block said that the Administration had no philosophical differences with Bob Bergland, his predecessor, other than Mr. Bergland's emphasis on consumerism.

Indeed, for observers of Mr. Reagan's dealing with the farm and food problem, there is distinct sense of *deja vu* these days. President Reagan, four years later, has virtually the same farm program as Mr. Carter's and with the same problems: falling farm prices, rising production costs and a restless bipartisan farm bloc in Congress demanding more aid for the farmers than the Administration wants to provide.

[From the New York Times, Oct. 5, 1981]

FOOD AND HUNGER STATISTICS QUESTIONED (By Ann Crittenden)

As the first World Food Day nears, on Oct. 16, the sponsoring agency, the United Nations Food and Agriculture Organization, is disseminating statistics purporting to show the dimensions of the world hunger program.

"In 1981 at least 420 million people do not have enough to eat," the agency's literature says.

Increasingly, however, the unqualified assertion of such statistics is being challenged. Indeed, a vocal minority of critics maintain that the world hunger problem has been vastly exaggerated.

PROBLEM OF TRAGIC SCOPE

And most academic experts in the fields of food, nutrition and demography, while convinced that world hunger is a real problem of tragic scope, nonetheless agree that behind confident statements about the number of the underfed there is a great deal of confusion and uncertainty.

As Prof. Thomas T. Poleman of Cornell University put it in a recent interview: "We simply don't have sufficient evidence to estimate the numbers of hungry people. There is no basis for coming up with concrete estimates."

According to Professor Poleman, there are "three great unknowns" in trying to estimate the extent of hunger. These are the actual availability of food, the exact amount of food people need for nourishment and how access to food varies among different income groups within a country.

Because of these uncertainties, predictions of future global famines, or of the numbers of starvation deaths that will occur by the year 2000, are widely viewed as meaningless. Even the figures on existing hunger and malnutrition vary wildly.

In a recent issue of Commentary magazine, for example, Nick Eberstadt of the Harvard Center for Population Studies guessed that at most about 100 million people—or less than one-quarter the number estimated by the F.A.O.—were "desperately hungry." This is "a lower fraction, in all likelihood, than for any previous generation in man's recorded history," Mr. Eberstadt wrote.

The incidence of hunger, Mr. Eberstadt argues, has been "hyped" by "well-paid and well-meaning functionaries who are meant to attend to world poverty" and by a press eager to dramatize the issue.

As another example of the wide range in estimates, the number of children under the age of 5 who die every year from starvation have been placed anywhere from around 15 million to well over 30 million.

In 1979, Robert S. McNamara, then president of the International Bank for Reconstruction and Development, told the World Bank's board of governors that "the United Nations Children's Fund estimates that more than 30 million children under the age of 5 died of starvation just last year."

But a recent analysis by Davidson R. Gwatkin, a demographer with the Overseas Development Council, concludes that the average number of child deaths from all causes was probably around 15 million a year in the late 1970's and that any number higher than 18 million would have to be suspect.

REVISION IN METHODOLOGY

Even greater discrepancies surround the estimates of the numbers of malnourished. The Food and Agriculture Organization's estimate of roughly half a billion people suffering from acute malnutrition in the developing countries—excluding China—was made in 1974. Just before the World Food Conference in that year, a revision in methodology lifted the F.A.O. estimate of the seriously malnourished from 300 million to 434 million—or exactly 25 percent of the developing world.

In 1976, a book published by two World Bank economists surpassed the F.A.O. with an estimate that more than half the population of the developing countries, or 840 million people, were seriously malnourished in the mid-1960's.

Professor Poleman, who has done an analysis of the difficulties in quantifying the nutrition situation in developing countries for the Agriculture Department, agrees that 100 million is a better figure than the F.A.O.'s half a billion. In his view, food production in developing countries tends to be understated because taxation is often based on production, and because so much backyard production is locally consumed and never counted.

A number of nutritionists have also noted that food needs vary from person to person by as much as 50 percent. Individual caloric requirements established by the F.A.O. and the World Health Organization are based on the needs of Americans and Europeans and are exaggerated for individuals in the tropics, perhaps by as much as one-third, according to some nutritionists.

STUDY OFFERS 42 PERCENT FIGURE

Mr. Eberstadt cited a recent study by the United States Agency for International Development indicating that, by American height and weight references, 42 percent of

the children in Sri Lanka were undernourished. Another report, by the Pan American Health Organization, concluded that more than 49 percent of the populations of Barbados, Costa Rica, Guyana, Jamaica and Panama suffered from some degree of malnutrition.

The life expectancy in all of these countries, however, is around 70 years, casting some doubt on the existence of such pervasive hunger.

On the other hand, other authorities insist that much hunger, especially in remote rural areas, is inadequately reported. Larry Minear of the Interreligious Task Force on United States Food Policy told an interviewer recently that "malnutrition is understated because there are a lot of people who don't show up in the planning nets, either because the censuses are bad or because they are not in the market economy, and their inability to purchase food isn't measured."

Similarly, Maurice J. Williams, executive director of the World Food Council, a United Nations policy group, said: "I believe the half a billion number. In London, at the height of empire, you had a submerged 20 percent of the population that lived on bread and tea. You have that today in many rapidly developing countries, and those countries don't want to admit their existence."

Several hunger experts said in interviews that they were familiar with the efforts of some developing countries, such as Brazil, to suppress information on highly unequal income distribution, implying the existence of malnutrition among the poorest segments of their populations.

Those who believe that the incidence of hunger has been overstated argue that the problem becomes more manageable if it is more carefully defined. By Professor Poleman's calculations, food aid of only three million tons of grain a year, if it could be channeled to the truly needy, would enable 100 million malnourished people to have an adequate diet.

112 MILLION TONS OF EXPORTS

The three million tons compares with total United States food exports of 112 million tons last year, and food aid of almost six million tons of grain. The F.A.O., since 1974, has called for food aid of 10 million tons a year, although the donor nations have never reached that level.

Walter Falcon, the head of the Food Research Institute at Stanford University, believes, however, that the debate over how many underfed there are does not affect public policy very much.

"It might focus more attention on Africa, where the most serious hunger exists, rather than on Southeast Asia, where the numbers are," Mr. Falcon said in a telephone interview. "But if only 100 million individuals are clinically malnourished, there are probably another 200 million to 400 million that go hungry part of the time. If they're not in the hospital, they're not doing too well."

"A lot of the argument is what do you do about those people who are simply inadequately fed," Mr. Falcon added. "That is one of the toughest questions." ●

FAMILY NEWSPAPERS BEING DESTROYED BY ESTATE TAXES

● Mr. SYMMS. Mr. President, as chairman of the Estate and Gift Tax Subcommittee of the Finance Committee, I have heard extensive testimony from a wide range of our society in support of efforts to repeal the "death tax" which is such a burden on family farmers and small businessmen.

The President is on record favoring repeal of this tax and the Congress has taken a wise first step in substantially

reducing estate and gift taxes with the enactment of President Reagan's tax bill.

An interesting article appeared in the August 19 edition of the Wall Street Journal which graphically details just one more compelling reason to remove the "death tax."

Many of us used to be familiar with hometown locally owned family newspapers which accurately reflected life in our communities. But the impact of massive estate taxes has taken its toll on this fading institution, the local family newspaper.

The Wall Street Journal highlights the case of a North Carolina newspaper, the Salisbury Post. Many other local newspapers have already been taken over by major national newspaper chains.

Mr. President, it would be tragic to have this trend continue. The ultimate repeal of the "death tax" would help family-operated local papers fend off the growing appetite of the national chains. Our communities deserve media outlets which are sensitive to local interest and attitudes.

I ask that this article be printed in the RECORD and I urge the Members of the Senate to study it closely.

The article follows:

ELUDING CHAINS: NORTH CAROLINA PAPER STRIVES TO WARD OFF BIDS BY PRESS EMPIRES

(By Daniel Machalaba)

SALISBURY, N.C.—For a newspaperman known only in his hometown, James Hurley III gets a lot of national attention.

Mr. Hurley is the publisher of the Salisbury Post, a prosperous daily newspaper with 24,700 circulation in this farming and textiles region. Like many owners of the remaining 600 daily independent newspapers in the U.S., Mr. Hurley is besieged by major newspaper chains brandishing attractive sales offers and proselytizing about the benefits of chain management.

So far, the soft-spoken, 50-year-old publisher has resisted entreaties to sell the afternoon paper, which has belonged to the Hurley family since 1912. But faced with the prospect of having to pay huge estate taxes and hard-pressed to find heirs willing or able to run it, Mr. Hurley acknowledges that the family might one day be forced to relinquish control of this town's most cherished institution.

"I'm not so cocky that I'd say I'd never sell or merge," says Mr. Hurley, an easygoing North Carolina native. "But we have a good business, we enjoy producing the paper and we don't want to sell."

Big city afternoon papers like the Philadelphia Bulletin and the Los Angeles Herald Examiner face a different and far more perplexing problem than the small-town Salisbury Post; surviving the onslaught of television and the exodus of city dwellers to the suburbs. These are among the problems that led to the recent decisions to shut down the Washington Star and the New York Daily News' Tonight edition. The Salisbury Post, on the other hand, merely wants to hold on to a good thing: a monopoly newspaper in a growing market.

But if Mr. Hurley manages to keep the Salisbury Post independent, he will be bucking a strong trend in the newspaper business. Chains now control 65 percent of the 1,745 daily newspapers in the country, up from 31 percent 20 years ago. Within a 50-mile radius of here, at least eight dailies have been gobbled up by such chains as Freedom Newspapers, Landmark Communications, Knight-Ridder Newspapers and New York Times Co. Some of these same chains have also actively courted the Post, much to

the chagrin of the local townspeople, who have come to consider it their own.

"People here have the feeling we own this paper," says Paul L. Bernhardt, the president of Bernhardt Hardware Co. "A chain would cut corners and bring in an editor from the outside."

Some of the fear stems from what happened at nearby newspapers bought by the big chains. After the New York Times purchased the Lexington, N.C., Dispatch in 1973, for example, the paper began running four full pages of the Times' Week in Review section every Monday. But to many townspeople, "It was like waving a flag that the Dispatch isn't a locally owned paper," says Randall Terry, the president of the independently owned High Point, N.C., Enterprise. Facing criticism, the Dispatch discontinued the section a year later, replacing it with local news.

Many business people also worry that a chain would sharply increase the Post's ad rates, which now are 20 percent to 40 percent below what other papers its size charge. Such worries appear to have some merit. Joe Sink, the publisher of the Dispatch, says one of the first moves the New York Times would make if it acquired the Post would be to raise ad rates. "We think we could make a lot more money than the Hurleys," he says. "But we would put that money back into the product."

WINNING LOCAL LOYALTIES

Mr. Hurley agrees a chain could make 50 percent more in profits than the Post, which earned nearly \$400,000 last year on revenue of about \$4 million. But he says an independent paper has more than just profits to consider. "We couldn't raise our rates 5 percent without catching hell (from advertisers)," he says. "If a chain raises the rates, who are advertisers going to complain to?" Besides, by keeping ad rates low, he says, the Post has discouraged competition by winning the loyalties of local businesses.

Says Joe Taylor, who runs a department store in Salisbury and is a longtime advertiser in the Post: "The Hurleys have a monopoly, but they aren't dishonest about it."

Many observers say, however, that the Post has attracted national attention mostly because it's a better editorial product than most dailies its size. "It's one of the finest small-town newspapers in the country," says Cal Thornton, the president and editorial director of the Los Angeles Times-Washington Post News Service. "It gives attention to quality and detail, and the town is confident the Hurley family stands behind the product."

SNIFFING OUT NEWS

Although the Post's editorial staff of 29 has come up with some blockbuster stories (as reflected in the numerous state journalism awards the Post has won), observers say the paper's greatest strength lies in its ability to serve a steady diet of local news, no matter how mundane. For example, the Post recently carried a three-paragraph story about the arrival of a new air-conditioning unit at local Catawba College. And the paper gives comprehensive coverage to local wedding ceremonies, sporting events and traffic violations. James Hurley Jr. (the Post's chairman and father of James III) was once written up for running a stop sign and his son, Haden Hurley, for drunken driving.

But the Post also sniffs out some sprightly stories now and again. A recent article told of a Bible-waving Baptist minister from Kannapolis who inspired about 30 youths to toss their rock albums into a bonfire at the Free Will Baptist Church and sing: "I surrender." According to the Post, the Rev. James Pauley told the assemblage that "rock music is a drug which affects you without you being aware of it." The record-roasting party, he said, was an attempt to "save some kids from going to hell."

In another attempt to make the Post a bit

livelier, Mr. Hurley has added new feature columns in recent years, including one called Askus. In one column, a reader asked, "Why do onions make us cry?" A recent Garden Game column discussed "a stylish triplet cucumber" that captured a judge's eye. And Whoppers whipped up the usual believe-it-or-not scuttlebutt, such as the story of an uncanny canine that could "read a rabbit's mind when hot on the chase."

The Post has also followed many other newspapers in updating its format. It has added more graphics—mostly large color pictures of sunsets and so forth—revamped its once-frumpy women's page into a lively Lifestyle section, and grouped auto accidents and various community events into regular sections of the paper to make it easier to read.

Not everyone is impressed by the changes, however. The Post's former women's page editor, who was recently brought out of retirement, feels the paper has neglected news of bridal showers under the new format. James Hurley Jr.—who despite being 85 and being the victim of three strokes still reports to the office every weekday—grumbles that "there are too many big pictures and they (his sons) waste money like hell." Other staffers complain that the Post pays too much attention to recerting local news and not enough to analyzing it. "We should be reporting more about what a city budget means rather than just reporting the numbers," says Bill Moss, the Post's city hall reporter.

Despite its shortcomings, however, the Post has plenty of suitors because it's "in a viable, growing community, it's well-equipped and well-managed, and it's nonunion," says D. Robert Segal, the president of the Freedom Newspapers chain, which is one of those courting the Post. Louis Weil III, the vice president for development of Gannett Co., has offered to fly to Salisbury for a golf weekend with James Hurley III. And Barry H. Scripps, the executive vice president of Scripps League Newspapers, had urged Mr. Hurley to sell the Post to Scripps League before he is "forced to consider offers from groups comprised of lawyers, bankers and accountants with no experience in the newspaper field."

REMAINING INDEPENDENT

In addition to bolstering the Post's profits, the callers contend they would also improve its editorial content by providing wide-ranging research and information that isn't available to it as an independent. Mr. Hurley says that he has always listened politely to the callers and that he even agrees with most of their arguments. But he says he has his own reasons for wanting to keep the paper independent.

"A chain might operate a newspaper more efficiently and watch things like return on equity more than we do," says Mr. Hurley. But "a town is better off with independent owners who live in the town and want to make it a better place."

Community betterment isn't a new priority for the Hurleys. Mr. Hurley's grandfather, who bought the Post from local interests after it had been destroyed by a fire in 1912, helped expand the dairy industry hereabouts by having the Post purchase a Guernsey bull, which was lent out to fertilize cows. During the Depression, the Post built a large electric scoreboard behind its tired-looking, three-story headquarters here to record the action of local baseball games. And in recent years, the Post has given funds for renewal of historical buildings in downtown Salisbury and for other community projects.

SURVIVING AS A FAMILY PAPER

"If any group needs money for Christmas lights, the Post is the first to support it," says Mr. Bernhardt, the hardware-store proprietor.

But Mr. Hurley knows it will take more than civic pride to keep the Post independent. In fact, he believes the Post's survival as a family newspaper will depend largely on its ability to become as efficient and technologi-

cally innovative as the chains. To that end, the Hurleys acquired four weekly papers, and they now employ the Post's presses to print them. To cut labor and printing costs, Mr. Hurley sends a Post photographer twice a month to take pictures for the weeklies. And he recently placed an order for a \$4 million offset press to speed up production and distribution of the Post in outlying communities that are experiencing greater population growth than Salisbury.

"We're doing what a chain does on a small scale," Mr. Hurley says.

To purchase the press, however, the Hurleys plan to borrow \$2 million. Consequently, the family doesn't expect the paper to post any profit for three years while the loan is being paid off. The purchase means that the Post's shareholders—Mr. Hurley, his father, his mother, his brothers Gordon (the Post's treasurer) and Haden (semi-retired and living in Naples, Fla.)—won't receive any dividends for a while. It also means the Post will be "financially strapped for the first time in decades," according to Mr. Hurley.

The tax collector, however, could put the Hurleys out of business. Estate-tax reductions included in President Reagan's tax-cut package will help, but the Hurley family says it still isn't sure how much estate taxes will have to be paid on the 35 percent share of the Post held by the elder Mr. Hurley when he dies. The family's own appraiser contends that taxes ought to be levied on the \$3 million "asset value" of the Post.

FINDING HURLEY HEIRS

But if precedent is any guide, the Internal Revenue Service will want to base its tax figure on the "market value" of the Post, which is around \$20 million. If the IRS decides to tax the father's 35 percent share of the Post at market value, Mr. Hurley says, "we wouldn't have enough money to pay the taxes (and) we'd be out of business."

Even if the Post can overcome these pitfalls, it still faces the problem of finding Hurley heirs interested in running the paper in the future. Mr. Hurley and his wife, Gerry, don't have any children. His brother Gordon's boys are only 13 and 14 years old. So the family has turned its hopes to Haden's daughters, Elizabeth, 20, and Anna, 18.

Family members tried to interest Elizabeth in the job. But she says she prefers to live in the North Carolina mountains, where she cleans houses, babysits and calls family members collect asking for money. The Hurleys gave Anna a book about the glamorous life of Katharine Graham, the chairman of the Washington Post Co., but that may not do any good either.

A small family newspaper like the Salisbury Post "is boring," says Anna Hurley. "I want to work for a paper that's a leader, like the New York Times or the Washington Post," she says.

VOLUNTEER DEVELOPMENT CORPS

● Mr. DeCONCINI. Mr. President, the morning after President Reagan expressed his belief that "the spirit of volunteerism still lives in America," I received demonstrable proof. One of my constituents, Timothy J. Finan, a member of the University of Arizona faculty, reported to me on his recent work in Brazil for volunteer development corps.

In the drought-stricken state of Ceara in northeast Brazil, the farmers cooperative council, Organizacao das Cooperativas do Estado do Ceara, is helping its members co-ops expand so as better to serve the needs of their low-income members for production credit, fertilizer, insecticides, and a dependable market for

their cotton, corn, beans, manioc, tomatoes, and other crops.

The International Bank for Reconstruction and Development has agreed to lend Brazil's Government \$163 million over the next 5 years for rural development in Ceara. In this package is \$1,488,000 for cooperative development. The Bank asked OCEC to select 12 cooperatives to participate in the project and to survey their needs for additional trucks, warehouses and equipment.

OCEC asked VDC to help do the job, and VDC asked Dr. Finan to volunteer his services. Dr. Finan is a made-to-order choice for this assignment, since he spent 4 years in Ceara as a Peace Corps volunteer working with farmers, 1970-74, and 2 additional years collecting data for his doctoral dissertation, "Peasant Middlemen & Marketing Processes in Northeast Brazil," 1977-78. He speaks fluent Portuguese.

Dr. Finan was willing to volunteer his services, but he needed leave-without-pay from his job as associate professor, Bureau of Ethnic Research, Anthropology Department, University of Arizona. I am glad to report, Mr. President, that at the request of William Stini, Ph. D., chairman of the anthropology department, the university made it possible for Dr. Finan to do the job.

Working with another VDC volunteer, Henry Gerber of Virginia, Dr. Finan helped OCEC develop tentative criteria for choosing the 12 cooperatives. These included willingness to hire a professional manager, establish standardized accounting, and expand their services. They then conferred with directors of 31 of Ceara's 46 cooperatives to test these criteria and, on the basis of these interviews, recommended 22 from which OCEC has now chosen the 12.

I was particularly interested in one of Dr. Finan's recommendations: that no World Bank funds flow to these cooperatives for capital investments. He found they either had enough trucks, warehouses, and other equipment or could develop the resources to get them. Better, he said, to spend the money on people and training.

In the course of their work, Dr. Finan and Mr. Gerber also urged OCEC to reorient itself so as to quit hiring employees for its member co-ops and instead to hire specialists to provide them technical assistance. OCEC has agreed to do so.

Dr. Finan reported to me on his volunteer work because VDC paid his expenses—travel, lodging, meals, and clothing care—and because VDC gets most of its money from the Agency for International Development. Dr. Finan thought I ought to know how this small part of the money we authorize and appropriate was spent.

I am much impressed. VDC is a small, private, nonprofit organization U.S. cooperatives created 11 years ago to serve as the link between cooperatives overseas that want technical help, such as OCEC, and men and women from U.S. cooperatives and universities, such as Dr. Finan, who are willing to provide it.

VDC has \$8,850 and 5 weeks of Dr. Finan's time invested in this one project.

With its six-member staff and an AID grant of \$650,000 in 1981 funds, VDC is able to implement 35 such projects each year. This is four one-hundredths of 1 percent of development assistance funds available to AID. I would like to know that more of AID's money is spent as constructively as this.

Mr. President, I commend Dr. Finan, the University of Arizona, and all others connected with this expression of volunteerism. Because of their work, the farmers of Ceara are one step closer to economic sufficiency and independence. ●

THE AMERICAN ECONOMY

● Mr. JOHNSTON. Mr. President, before the discovery of antibiotics, the goal of medicine in treating an infection was to break the fever. Doctors knew that even if the patient recovered from the disease, a prolonged high fever could do permanent damage to his system.

In treating the economy, the current practice of the Federal Reserve is to view high interest rates, not as the cause of an economic slowdown, but as a symptom—the fever, so to speak—of an economy overheated by inflation and inflationary expectations. But the current Federal Reserve monetary policy is, as Chairman Volcker admits, a blunt instrument, a kind of monetary sulfa, lacking the efficacy of the later wonder drugs like penicillin. Given time, it will work. In the meanwhile, the fever of high interest rates continues unabated. The administration is sending signals to the country that it is not interested in the survival of the small businessman.

By small businessman, I do not mean the owner of the mom-and-pop store, although he is certainly affected. I mean the independent builder and his suppliers, the deposit institutions, the automobile dealers, the real estate brokers, the family farmers, and their local food processing plants. By permitting interest rates to rise to their current levels with no attempt other than the regulation of the money supply to control their volatility, the Federal Reserve is encouraging bankruptcies and takeovers: The subsuming of traditionally independent small businessmen and their firms and farms into conglomerates and agribusinesses.

If interest rates continue much longer at their present levels, the contours of American business will change drastically. Community based institutions, like those of the thrift industry, may be forced into interstate and cross-industry mergers. The avalanche of failures among construction firms—up 41 percent from 1980—and subcontractors—up 120 percent—suggests that it will be difficult, if not impossible, to restore the supply pipeline for home building when interest rates finally fall.

I agree with Chairman Volcker that inflation, fueled by deficits, is the principal enemy of a sound economy, but I do not believe that we should permit the traditional shape of the American economy to be altered as the unintended side effect of an overly rigid monetary policy. We can hardly claim to have treated the

disease successfully if the patient dies of the fever.●

NATIONAL CHILDREN'S BOOK WEEK

● Mr. WEICKER. Mr. President, the week beginning November 16 is National Children's Book Week. In 1919, this observance was created to encourage children to read. Each year since then, "Book Week" has been successful in advancing the cause of children's literature. Today, there are more books being written for children than ever before. Nearly every library has a department just for the kids, along with caring librarians who aid children in their choice of books.

I learned at an early age the rewards of spending time with a good book. When I was not out playing baseball or football, or riding somewhere on my bike, I could always be found reading. I read everything—adventure, sports, mysteries, biographies, and history. Not only did reading give me pleasure, but I learned about people, and places I had never encountered.

Reading with my own children at night makes me appreciate the joy and value of reading all the more. The look of discovery and delight on their faces is priceless. My only regret is that authors like Dr. Suess, Maurice Sendak, and Richard Scary were not around writing when I was a kid.

There is a book called "Goodnight Moon" that my kids particularly enjoy. My wife and I have read it to them so much we can both recite it by memory. Recently, I bought a copy of "Charlotte's Web," which we will enjoy together when they are a little older. I also hold a parochial preference for "Rabbit Hill," that wonderful story about a family of rabbits living in a Connecticut family's backyard.

Mr. President, in celebrating National Children's Book Week, I think it is important that we pay tribute to booksellers, publishers, editors, authors, and illustrators whose efforts have provided a wide range of books for children of all ages. We should also praise the parents, teachers and librarians who take the time to encourage each youngster. And finally, let us praise the most important people: Babar, the elephant king, the Little Prince, Stuart Little, Ferdinand the Bull, Sam-I-Am, Harriet the spy, and all their friends, the children who spend countless hours lost in their special world of books.●

POLISH INDEPENDENCE DAY

● Mr. WEICKER. Mr. President, November 11 is Polish Independence Day. On that date in 1918, the occupation troops of the central powers were expelled from the country and the Poles reestablished control of their nation. Twenty-one years later, the country's aspirations were driven into the ground under the onslaught of the Nazi blitzkrieg. The defeat of the Axis in 1945 left Poland with 6 million dead as a result of war and genocide. Unable to stand on its own, the battered nation found itself under the dark shadow of the Soviet Union, from which it has yet to escape.

Czeslaw Milosz, the great Polish poet and Nobel laureate, described the situation of his country with these lines in his poem "Song of a Citizen":

A stone below who has witnessed the seas drying up and a million white fish leaping in agony.

I, poor man, see a multitude of white-bellied nations without freedom. I see the crab feeding on their flesh.

Today, the eyes and prayers of the free world are on Poland. Inspired by the strength of the solidarity movement, the soul of a nation is stirring again. The people are crying out for freedom, while all the while the Soviet tanks crawl along the border. Let the Soviet Union be warned: Liberty cannot be held in chains forever. In Milosz's words:

The heart does not die when one thinks it should.

The people of Poland will not live in subjugation forever.●

EXTENSION OF TIME FOR THE TRANSACTION OF ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I have a few items of routine morning business. I ask unanimous consent that the time for transaction of routine morning business be extended by 5 minutes.

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

ORDERS FOR THURSDAY

ORDER FOR RECESS UNTIL 11:30 A.M. THURSDAY

Mr. BAKER. Mr. President, we previously entered an order for the Senate to reconvene at 11 a.m. I would like to change that now and make the following request. I ask unanimous consent that when the Senate completes its business today it stand in recess until the hour of 11:30 a.m. on Thursday, November 12.

ORDER FOR RECOGNITION OF CERTAIN SENATORS AND ROUTINE MORNING BUSINESS

I make the following request, as well. I further ask unanimous consent that, following the recognition of the two leaders under the standing order, Senator GORTON, Senator TOWER, and Senator BENTSEN each be recognized for not to exceed 15 minutes on special orders; and that following the recognition of Senators on special orders as provided for that there be a brief period for the transaction of routine morning business to extend not past the hour of 1 p.m., with statements limited therein to 5 minutes each.

ORDER TO RESUME CONSIDERATION OF H.R. 4169

Finally, Mr. President, I ask unanimous consent that at the hour of 1 p.m. the Senate resume consideration of Calendar Order No. 365, H.R. 4169, the State, Justice, Commerce appropriations bill.

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

ORDER FOR PROCEDURE

Mr. BAKER. Mr. President, I have a few items that are cleared on our calendar for action by unanimous consent. I would inquire of the minority leader if

he is in a position to consider at this time H.R. 4734, the Italian American War Veterans bill.

Mr. ROBERT C. BYRD. Mr. President, that matter is cleared on this side.

Mr. BAKER. I thank the minority leader.

ITALIAN AMERICAN WAR VETERANS

Mr. BAKER. Mr. President, I ask that the Chair lay before the Senate H.R. 4734, the Italian American War Veterans bill.

The PRESIDING OFFICER. The clerk will state the bill by title.

The bill clerk read as follows:

A bill (H.R. 4734) to recognize the organization known as the Italian American War Veterans of the United States.

The Senate proceeded to consider the bill.

Mr. ROBERT C. BYRD. Mr. President, I want to add my support to H.R. 4734, officially recognizing the Italian American War Veterans of the United States.

No identifiable group of people have contributed more to America than have the Italians. Christopher Columbus—an Italian—launched the modern age by discovering our hemisphere. Another Italian—Amerigo Vespucci—gave his name to our continent and to our country. And few people realize that even the English claims to America's eastern seaboard rest on the discoveries of an Italian seaman residing in England—Giovanni Caboto—the John Cabot of our childhood history books.

Since the founding of the United States, millions of Italians have immigrated to these shores. Those Italian immigrants contributed to our country many of the strongest qualities of their background—discipline, artistry, religious faith, business acumen, warmth, and, perhaps above all, deep patriotism. Especially in the wars of the 20th century, thousands of Italian-Americans have answered America's calls for national defense.

Today, more than 23 million Americans trace their ancestry to Italy. Though they are admirably involved in all areas of American life, those Italian-Americans retain a healthy pride in and association with their rich heritage. The Italian American War Veterans will give many Italian-Americans—especially those who have served in our Armed Forces—a welcome influence in national affairs.

Mr. President, I strongly support H.R. 4734, and I hope that my colleagues will join me in passing this measure.

● Mr. DECONCINI. Mr. President, I rise in enthusiastic support of H.R. 4734 which would grant a Federal charter to the Italian American War Veterans of the United States. As an American of Italian descent and as a member of both the Senate Judiciary and Veterans' Affairs Committees, I have a deep personal interest in this legislation.

The Italian American War Veterans (IAWV) was incorporated as a non-profit service organization by a group of concerned veterans in the State of Connecticut in 1932 and achieved tax-exempt status in 1947. Since its forma-

tion, the IAWV has continuously expanded the range and scope of its activities and is presently incorporated in 10 States ranging from Rhode Island to Massachusetts. Its membership numbers almost 8,000 dedicated men and women. I am pleased that the IAWV established a chapter in my home State of Arizona just last year and is currently seeking incorporation in the State.

The IAWV is actively involved in providing volunteer services in more than 20 Veterans' Administration hospitals across the country. Last year alone, the IAWV donated approximately 7,500 hours of service in its hospital volunteer program. In addition to its hospital work, the IAWV has dedicated itself to placing markers and flags on the graves of veterans, has generously supported the needy and handicapped, and has been actively involved in a wide range of community-related services. While IAWV draws most of its membership from individuals with an Italian American heritage, it is open to any veteran regardless of race, religion, or national origin.

The IAWV has been seeking legislation for a Federal charter since 1965. Unfortunately, for many years the Senate Judiciary Committee refused to consider approving Federal charters, regardless of the merit of any individual organization's request. Despite the fact that the 91st Congress established rigid criteria for the approval of Federal charters, the Senate Judiciary Committee adhered to a strict policy of opposing such requests. Between the 91st and 96th Congresses, only one charter was approved. Fortunately, that policy was modified during the 96th Congress when four charter requests, including that of the Italian-American War Veterans, were approved by the Senate Judiciary Committee. I was pleased to be able to chair the committee's hearings on the IAWV's charter request last year. Mr. President, as you know, that bill, S. 2542 which was introduced by my esteemed colleague, Senator CHAFEE, was passed by the Senate but, unfortunately, the House did not have an opportunity to act upon it prior to adjournment.

The IAWV will be celebrating its 50th anniversary next year. This is a particularly opportune moment for Congress to recognize that organization's past history of outstanding civic, educational, and charitable contributions by granting the IAWV's longstanding request for a Federal charter. As Federal resources continue to shrink, the role of voluntary service organizations will become increasingly important. The IAWV stands ready and willing to fill that vacuum and a Federal charter will facilitate its ability to attract new membership and expand its activities throughout the country. Congress should be supportive of these efforts and I urge my colleagues to approve this important legislation. ●

● Mr. CHAFEE. Mr. President, I am pleased to support H.R. 4734, legislation that would grant a Federal charter to the Italian American War Veterans.

H.R. 4734 is similar to legislation that I introduced earlier this year, and that was

reported out of the Senate Judiciary Committee earlier today.

There are 7,000 members nationwide in the IAWV and 13 posts in Rhode Island. Granting a Federal charter to this group will provide the IAWV with momentum to boost its membership drive and its activities across the Nation.

These dedicated and concerned individuals are a terrific resource that should be used to the fullest in the battle to help the disabled, aged, and economically deprived veterans, their families and their communities.

I first worked with the IAWV when I was Governor of Rhode Island, almost 20 years ago. In this time, I have had ample opportunity to see their good works and to appreciate their contributions to veterans and to the community at large.

Mr. President, legislation to grant the IAWV a Federal charter passed the Senate last year, but time ran out before it could be approved by the House of Representatives. I am pleased that the House acted first this year. There can be no more fitting time to pass this legislation than today, on the eve of Veteran's Day. ●

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment to be proposed, the question is on the third reading of the bill.

The bill (H.R. 4734) was read the third time, and passed.

Mr. BAKER. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

THE EXECUTIVE CALENDAR

Mr. BAKER. Mr. President, there is one item on today's Executive Calendar which is cleared for action on this side. I am referring to Calendar Order No. 476, the nomination of Francis S. M. Hodsoll, of Virginia, to be Chairman of the National Endowment for the Arts. I would inquire of the minority leader if he is in a position to consider that item at this time.

Mr. ROBERT C. BYRD. Mr. President, I am glad to advise the distinguished majority leader that the item has been cleared on this side.

Mr. BAKER. I thank the minority leader.

EXECUTIVE SESSION

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate now go into executive session for the purpose of considering the nomination just identified and for certain other executive actions.

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

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES

The bill clerk read the nomination of Francis S. M. Hodsoll, of Virginia, to be Chairman of the National Endowment for the Arts.

The PRESIDING OFFICER. Without objection, the nomination is considered and confirmed.

Mr. BAKER. Mr. President, I move to reconsider the vote by which the nomination was confirmed.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, additionally, I have a list of 13 nominations relating to U.S. attorneys, U.S. marshals, and a member of the Foreign Claims Settlement Commission, which have been reported by the Judiciary Committee and which are not yet on the printed executive calendar. I am prepared at this time to ask the Senate to proceed to their consideration if the matters are cleared on the other side of the aisle.

Mr. ROBERT C. BYRD. Mr. President, the 13 nominations have been cleared for action on this side.

Mr. BAKER. Mr. President, I thank the minority leader.

Mr. President, I ask unanimous consent that the 13 nominees be considered and confirmed en bloc.

The PRESIDING OFFICER. Without objection, the nominees are considered and confirmed en bloc.

The nominees considered and confirmed en bloc are as follows:

THE JUDICIARY

William H. Kennedy, of California, to be U.S. attorney for the Southern District of California.

Ronald D. Lahners, of Nebraska, to be U.S. attorney for the District of Nebraska.

Gerald D. Pines, of Illinois, to be U.S. attorney for the Central District of Illinois.

W. Hunt Dumont, of New Jersey, to be U.S. attorney for the District of New Jersey.

Charles R. Brewer, of North Carolina, to be U.S. attorney for the Western District of North Carolina.

Lincoln C. Almond, of Rhode Island, to be U.S. attorney for the District of Rhode Island.

John Perry Alderman, of Virginia, to be U.S. attorney for the Western District of Virginia.

Elsie L. Munsell, of Virginia, to be U.S. attorney for the Eastern District of Virginia.

Charles Pennington, Jr., of Kentucky, to be U.S. marshal for the Eastern District of Kentucky.

Kernan H. Bagley, of Oregon, to be U.S. marshal for the District of Oregon.

Blaine Skinner, of Idaho, to be U.S. marshal for the District of Idaho.

Delaine Roberts, of Wyoming, to be U.S. marshal for the District of Wyoming.

Joseph Wentling Brown, of Nevada, to be a member of the Foreign Claims Settlement Commission.

NOMINATIONS OF JOHN PERRY ALDERMAN AND ELSIE L. MUNSELL FOR U.S. ATTORNEYS IN THE EASTERN AND WESTERN DISTRICTS OF VIRGINIA

● Mr. WARNER. Mr. President, I rise in support of the nominations of Elsie L. Munsell as the U.S. attorney for the eastern district of Virginia and John Perry Alderman as the U.S. attorney for the western district of Virginia.

These two outstanding Virginians were recommended to the President because of their expertise and standing in the legal profession.

The process leading up to their recommendation was rigorous. It insured that

the very best and most qualified individuals were identified for the President's review and consideration.

In some respects, the process was unique. In addition to meeting in my Capitol Hill office, I traveled more than 3,000 miles for the purpose of consultations with several hundred Virginians. By so doing, I was able to personally interview each candidate I recommended.

Further, I received extremely helpful advice during meetings with every Federal judge serving Virginia and a number of State judges.

After disseminating public notices, I solicited the views of leaders of State and local bar associations, law school deans, elected public officials, and civic and community leaders. In early March, I publicly stated how I intended to proceed and made known the existence of the likelihood of new appointments for the posts we are considering today.

Early I made the decision that partnership would not dominate nor distort my search. I have faithfully adhered to that commitment.

Recognizing that growing problems associated with crime require prompt, forceful and fair prosecutions, I recommended for the positions of U.S. attorney only lawyers having extensive trial experience, with some criminal practice.

In the case of both Mrs. Munsell and Mr. Alderman, it was the very qualities which I have just discussed—professional achievement, integrity, and criminal law experience and expertise—which led the President to select these two individuals as his nominations to the U.S. attorneys' posts in the two Federal districts in Virginia.

Turning for a moment to the individual qualifications of Mrs. Munsell and Mr. Alderman, I want to make particular note that with the confirmation of Mrs. Munsell I believe history will be made. It is my understanding that she is the first woman to be appointed as a U.S. attorney in Virginia.

Elsie Munsell is currently U.S. magistrate for the eastern district of Virginia. She is a former chief assistant U.S. attorney for the civil division in the same jurisdiction. Mrs. Munsell is a 1972 graduate of Marshall-Wythe School of Law of the College of William and Mary. She is a former member of the board of visitors of the College of William and Mary. Finally, Mrs. Munsell served as a member of the Virginia Commission on the Status of Women until the time she became a magistrate.

John Perry Alderman is in his fifth term as Commonwealth's Attorney of Carroll County, Va. He is former counsel for the town of Hillsville, Va. Mr. Alderman graduated sixth in his class from the University of Virginia Law School in 1958.

Mr. President, the nominations of Elsie Munsell and John Perry Alderman as U.S. attorneys for the eastern and western districts, respectively, in Virginia, deserve the full support of all Members of the Senate.

I commend President Reagan for his excellent selections. These two individuals will serve with dignity and distinction. All Senators can take pride in their nominations. ●

Mr. BAKER. Mr. President, I move to reconsider the vote by which the nominees were confirmed.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, I ask unanimous consent that the President be immediately notified that the Senate has given its consent to these nominations.

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

LEGISLATIVE SESSION

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate now return to legislative session.

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

ORDER FOR RECORD TO REMAIN OPEN UNTIL 4 P.M. TODAY

Mr. BAKER. Mr. President, I ask unanimous consent that the RECORD remain open until 4 p.m. today for the introduction of bills, resolutions, and statements.

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

Mr. ROBERT C. BYRD. I have just listened to the President's news conference. In his conference the President indicated that none of the regular appropriation bills has yet reached his desk. To my knowledge, may I say, Mr. President, there has been no delay in action on the appropriation bills that has been necessitated because of actions on this side of the aisle. I want to state that for the RECORD. We on the minority side have cooperated in the committee deliberations with respect to appropriation bills. We certainly have not interposed any time delays with respect to actions on those bills on the floor.

I would like to ask the distinguished majority leader if, to his knowledge, any delay in the floor action on these appropriations bills has been caused by the minority.

Mr. BAKER. Mr. President, absolutely not. On the contrary, I would point out that the minority leader has from time to time regularly inquired about the schedule of consideration of appropriation bills in the Senate and has been most cooperative, as has the minority in general, in trying to bring these matters to early consideration and in most cases without encumbrance of extraneous amendments. There has been no delay by the minority in the Senate.

Mr. ROBERT C. BYRD. Mr. President, I thank the majority leader.

Mr. BAKER. Mr. President, I see no Senator seeking recognition. I have no further business to transact.

The PRESIDING OFFICER. Will the Senator suspend for a moment?

Mr. BAKER. Yes.

APPOINTMENT BY THE VICE PRESIDENT

The PRESIDING OFFICER (Mr. SYMMS). The Chair, on behalf of the Vice President, pursuant to Public Law

84-372, appoints the Senator from Michigan (Mr. LEVIN) to the Franklin Delano Roosevelt Memorial Commission.

NO ROLLCALL VOTE TO OCCUR PRIOR TO 3 P.M. ON THURSDAY

Mr. BAKER. Mr. President, previously I indicated there would be no votes prior to the hour of 3 o'clock on Thursday. I ask unanimous consent that no rollcall votes occur prior to 3 o'clock on Thursday, and that if such are ordered prior to that time that they be deferred until that hour arrives.

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

AUTHORITY FOR CERTAIN ACTION DURING RECESS

Mr. BAKER. Mr. President, I have one further request. I ask unanimous consent that during the recess of the Senate over until Thursday, the Secretary be authorized to receive messages from the President and the House of Representatives, that they be appropriately referred, and that the Vice President and President pro tempore be authorized to sign duly enrolled bills and joint resolutions.

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

RECESS UNTIL THURSDAY, NOVEMBER 12, 1981, AT 11:30 A.M.

Mr. BAKER. Mr. President, I have no further business to transact. I see no Senators seeking recognition. If the minority leader has no other matter on which he wishes to address the Senate, I move, in accordance with the order previously entered, that the Senate stand in recess until the hour of 11:30 a.m. on Thursday.

The motion was agreed to; and at 2:50 p.m., the Senate recessed until Thursday, November 12, 1981, at 11:30 a.m.

NOMINATIONS

Executive nominations received by the Senate November 10, 1981:

DEPARTMENT OF STATE

Edwin Gharst Corr, of Oklahoma, a Career Member of the Senior Foreign Service, class of Counselor, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Bolivia.

James Daniel Theberge, of the District of Columbia, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Chile.

Melvin Herbert Evans, of the Virgin Islands, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Trinidad and Tobago.

IN THE NAVY

The following-named temporary lieutenant commanders of the U.S. Navy for permanent promotion to the grade of lieutenant commander in the line and Medical Service Corps, as indicated, pursuant to section 611 (a) of the Defense Officer Personnel Management Act (Public Law 96-513) and title 10, United States Code, section 624 as added by the same act, as applicable, subject to qualifications therefor as provided by law:

LINE

Harwell, Michael A.

MEDICAL SERVICE CORPS

Ayers, Samuel H., Jr. Kane, Robert J.
 Bartlett, James V. Keenan, James M.
 Bauer, Peter J. Kraft, John E.
 Bennett, Ronald E. Lewis, Jack T.
 Berkley, Roy L. McKinney, Arthur P.
 Bielawski, Jerome J. Mills, Wayne M.
 Collins, Jimmy R. Mincer, Arvin A.
 Dawson, Richard L. Morey, Arlen D.
 Denayer, John W. Mumford, William M.
 Donohue, Avon R., Jr. Nelson, Lee D.
 Dunaway, Floyd J. Owens, Kenneth L.
 Fry, Wendell, J. Penn, Jerry D.
 Gray, Donald R. Renish, John F.
 Grisham, Onis H. Roberson, Walter E.
 Hanson, Eugene C. Russmogle, Robert L.
 Hardy, Frederick C. Shannon, Kenneth R.
 Hastings, Jerry L. Shepherd, Jack W.
 Hixson, Steven R. Stewart, George W. K.
 Holstein, Elmer, Jr. Tomlinson, Tommy M.
 Hora, Charles D. Waggoner, Lemuel A.
 Hovis, Robert S. Wanamaker, John C.
 Johnson, David E. White, Harry G.

The following-named officers of the Supply Corps, of the U.S. Navy, for appointment in the line, as permanent lieutenants, pursuant to section 611(a) of the Defense Officer Personnel Management Act (Public Law 96-513) and title 10, United States Code, section 5582(a) as added by the same act, as applicable, subject to qualifications therefor as provided by law:

Perry, Ronald I.
 Pierce, Terry C.

The following-named officer of the Supply Corps, of the U.S. Navy, for appointment in the line, as a permanent lieutenant (junior grade), pursuant to section 611(a) of the Defense Officer Personnel Management Act (Public Law 96-513) and title 10, United States Code, section 5582(a) as added by the same act, as applicable, subject to qualifications therefor as provided by law:

Ralls, John D.

The following-named officers of the line of the U.S. Navy, for appointment in the vari-

ous staff corps, as indicated, as permanent lieutenants, pursuant to section 611(a) of the Defense Officer Personnel Management Act (Public Law 96-513) and title 10, United States Code, section 532 as added by the same act, as applicable, subject to qualifications therefor as provided by law:

SUPPLY CORPS

Kline, Kim F. Town, James S.
 Salgado, Robert T. Watson, Walter F.

CIVIL ENGINEER CORPS

Ayars, Arthur D., Jr.
 Baker, Clifford C.
 Brady, Patrick A.

The following-named officers of the line of the U.S. Navy, for appointment in the various staff corps, as indicated, as permanent lieutenants (junior grade), pursuant to section 611(a) of the Defense Officer Personnel Management Act (Public Law 96-513) and title 10, United States Code, section 532 as added by the same act, as applicable, subject to qualifications therefor as provided by law:

SUPPLY CORPS

Vonhitz, Stephen
 Walter, Kevin R.

CIVIL ENGINEER CORPS

Barre, Kevin R. Foster, Dennis M.
 Beary, William J. Harris, Brian K.
 Booth, Barbara G. McClellan, Thomas K.
 Britain, Joseph C. Perritt, Stuart E.
 Doyle, Michael P.

The following-named officer of the line of the U.S. Navy, for appointment in the Civil Engineer Corps, as permanent ensign, pursuant to section 611(a) of the Defense Officer Personnel Management Act (Public Law 96-513) and title 10, United States Code, section 532 as added by the same act, as applicable, subject to qualifications therefor as provided by law:

Hovell, Ronald P.

CONFIRMATIONS

Executive nominations confirmed by the Senate November 10, 1981:

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES

Francis S. M. Hodssoll, of Virginia, to be chairman of the National Endowment for the Arts for a term of 4 years.

The above nomination was approved subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.

DEPARTMENT OF JUSTICE

William H. Kennedy, of California, to be U.S. attorney for the southern district of California for the term of 4 years.

Ronald D. Lahners, of Nebraska, to be U.S. attorney for the district of Nebraska for the term of 4 years.

Gerald D. Fines, of Illinois, to be U.S. attorney for the central district of Illinois for the term of 4 years.

W. Hunt Dumont, of New Jersey, to be U.S. attorney for the district of New Jersey for the term of 4 years.

Charles R. Brewer, of North Carolina, to be U.S. attorney for the western district of North Carolina for the term of 4 years.

Lincoln C. Almond, of Rhode Island, to be U.S. attorney for the district of Rhode Island for the term of 4 years.

John Perry Alderman of Virginia, to be U.S. attorney for the western district of Virginia for the term of 4 years.

Eisle L. Munsell, of Virginia, to be U.S. attorney for the eastern district of Virginia for the term of 4 years.

Charles Pennington, Jr., of Kentucky, to be U.S. Marshal for the eastern district of Kentucky for the term of 4 years.

Kernan H. Bagley, of Oregon, to be U.S. Marshal for the district of Oregon for the term of 4 years.

Blaine Skinner, of Idaho, to be U.S. Marshal for the district of Idaho for the term of 4 years.

Delaine Roberts, of Wyoming, to be U.S. Marshal for the district of Wyoming for the term of 4 years.

Joseph Wentling Brown, of Nevada, to be a Member of the Foreign Claims Settlement Commission of the United States for the term expiring September 30, 1983.