

## EXTENSIONS OF REMARKS

## JEANE KIRKPATRICK: UTILITARIANISM AS U.S. FOREIGN POLICY

## HON. WALTER E. FAUNTROY

OF THE DISTRICT OF COLUMBIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. FAUNTROY. Mr. Speaker, Ms. Margaret D. Wilde, a citizen of the District of Columbia, has had published this week in the ecumenical weekly, *Christian Century*, an article entitled "Jeane Kirkpatrick: Utilitarianism as U.S. Foreign Policy." The article is a valuable contribution to constructive thinking and debate on the orientation and objectives of U.S. foreign policy.

I submit this article for the *RECORD* and call it to the attention of my colleagues:

## JEANE KIRKPATRICK: UTILITARIANISM AS U.S. FOREIGN POLICY

Before Ronald Reagan announced his choice of Jeane Jordan Kirkpatrick as U.S. ambassador to the United Nations, the story of her rise to prominence was circulated as an indication that her recommendations would be likely to shape his policy toward right-wing military regimes: Kirkpatrick's November 1979 Commentary article, "Dictatorships and Double Standards," had drawn favorable notice from a Reagan aide and eventually led to a friendship with the candidate himself.

Human values were conspicuously absent from the 1979 article; that was not altogether surprising for a university professor specializing in pragmatic policy implementation. It was when her recommendations were embraced as public policy—including a call for support of "tested friends" who happen to be "moderately repressive autocrats"—that the ethical implications of supporting repression became an issue. Patricia Derian, the Carter administration's human rights spokeswoman, summed up those implications explosively: "What the hell is moderately repressive?"

After her nomination to the Reagan cabinet, Kirkpatrick relaxed the confrontation somewhat by acknowledging that ideals do indeed play a part in foreign policy. In a January 7 talk to B'nai B'rith in Washington, D.C., she did not define those ideals but said that political power was needed to achieve them, and that the pursuit of ideals should be grounded in political realism. Thus she seemed to make room for the view that human values stand above economic and military interests—although her failure to say so directly, in a speech about the relation between ideals and realism, was not at all reassuring.

At the same time, Kirkpatrick reaffirmed the primacy of U.S. interests at the practical level on which governments operate: abstract concepts are "irrelevant, or less relevant than strategic considerations." She warned that "ideals never exist in the abstract; if you try to apply it in that context,

the result will be havoc." And amid the controversy surrounding her article, only days before her confirmation hearing she reaffirmed moderate autocracy as a lesser evil than unstable or leftist governments.

At the end of January a new Kirkpatrick Commentary article appeared. Titled "U.S. Security and Latin America," the new statement leaves no doubt about the place of ideals in her perspective: it was not by oversight, nor because of the limited frame of reference of the earlier article, that human values were not mentioned. The view reflected in the second article is entirely amoral, devoid of any ideals that might be served by a more realistic policy.

## HIDDEN ASSUMPTIONS

The 1979 article, written from an academic perspective without the conflicting pressures that affect the making and interpretation of public policy, is more cogently argued than the 1981 article. But even at the pragmatic level, her thesis is logically flawed and unrealistic. The 1979 Kirkpatrick thesis contains a set of assumptions by which differing interpretations are judged guilty of ideological distortion or naiveté. Four of these assumptions are fundamental to her policy projections:

1. The U.S. cannot change the course of world history, so it is unrealistic to encourage modernization and democratization in other countries. Even aid to economic development as a basis for democracy is "grossly oversimplified," in Kirkpatrick's opinion. Citing John Stuart Mill's criteria for representative government, she explains:

"While it surely helps to have an economy strong enough to provide decent levels of well-being for all, and 'open' enough to provide mobility and encourage achievement, a pluralistic society and the right kind of political culture—and time—are even more essential. . . . Decades, if not centuries, are normally required for people to acquire the necessary disciplines and habits."

2. The U.S. can change the course of world history, so those who advocate adapting to changing values and popular pressures are either defeatists or Marxists. This judgment is most evident in Kirkpatrick's derisive use of quotation marks around such terms as "broadly based" and "forces of democracy"; however, she states the view directly in a passage describing how established autocracies are needlessly brought down by a combination of local insurgency and U.S. ambivalence:

"And everywhere our friends will have noted that the U.S. cannot be counted on in times of difficulty and our enemies will have observed that American support provides no security against the forward march of history."

Later she slips into the sarcastic mode and refers to "evolutionary changes, which seem to be the only kind that actually occur."

"Since events are not caused by human decisions, they cannot be stopped or altered by them. . . . The Carter administration's essentially deterministic and apolitical view of contemporary events discourages an active American response and encourages passivity. . . . Where once upon a time an American President might have sent the Marines to assure the protection of Ameri-

can strategic interests, there is no room for force in this world of progress and self-determination. Force, the President told us at Notre Dame, does not work; that is the lesson he extracted from Vietnam. It offers only 'superficial' solutions."

3. Poverty, repression and corruption are an accepted way of life in most of the world, and only our Western cultural bias leads us to wish it were otherwise. Traditional autocracies are "deeply offensive to modern American sensibilities," says Kirkpatrick:

"The notion that public affairs should be ordered on the basis of kinship, friendship and other personal relations rather than on the basis of objective 'rational' standards violates our conception of justice and efficiency. The preference for stability rather than change is also disturbing to Americans whose whole national experience rests on the principles of change, growth and progress. The extremes of wealth and poverty characteristic of traditional societies also offend us, the more so since the poor are usually very poor and bound to their squalor by a hereditary allocation of role. Moreover, the lack of concern of rich, comfortable rulers for the poverty, ignorance and disease of 'their' people is likely to be interpreted by Americans as moral dereliction pure and simple. . . . Confronted with them, our vaunted cultural relativism evaporates and we become as censorious as Cotton Mather confronting sin in New England."

4. Kirkpatrick then claims that systemic differences make revolutionary autocracies more repressive and less susceptible to change than traditional ones:

"Traditional autocrats leave in place existing allocations of wealth, power, status, and other resources which in most traditional societies favor an affluent few and maintain masses in poverty. But they worship traditional gods and observe traditional taboos. They do not disturb habitual rhythms of work and leisure, habitual places of residence, habitual patterns of family and personal relations. Because the miseries of traditional life are familiar, they are bearable to ordinary people who, growing up in the society, learn to cope, as children born to untouchables in India acquire the skills and attitudes necessary for survival in the miserable roles they are destined to fill. Such societies create no refugees."

## HUMANITY VS. STABILITY

The January 1981 Commentary article reflects Kirkpatrick's recent thinking about security threats—some real, some imagined, some invented in the face of clear evidence to the contrary—through early December, when she was already on her way to public prominence. Her failure to identify human goals as a context for realistic policymaking is remarkable.

In the new article human welfare is generally recognized as an objective, but it is totally relativized. Kirkpatrick refers to lower infant mortality rates and increasing levels of education in Central America, but emphasizes how slowly the improvements come, and at what cost to stability and security:

"It has been easier to break down the myths justifying the old distribution of values in society than to improve access to

● This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

education, medical care, decent housing, good food, respect, and political power."

The unacceptability of this trade-off of stability for other goals is underlined in Kirkpatrick's conclusion: we must think realistically, she says, "about the alternatives to existing governments, and about the amounts and kinds of aid and time that would be required to improve the lives and expand the liberties of the people of the area. The choices are frequently unattractive."

Abstract concepts, which Kirkpatrick merely scorned in the B'nai B'rith speech, are an obsession in the new article. Everything she disagrees with is abstract: "The goals recommended [to Carter] for U.S. policy were all abstract and supranational—'human rights,' 'development,' 'fairness.'" In her conclusion she cites Edmund Burke against a global world view, which stands "in all the nakedness and solitude of metaphysical abstraction."

Kirkpatrick is correct in contending that abstraction can be abused, or substituted for clear thinking about concrete reality. She accuses the Carter administration of this failing in its uncritical acceptance of "change" and "progress" (her quotation marks). But she allows the same path in a sweeping dismissal of change—and the desire for change—as leading to disruption of stability and subversion of authority:

"The nations of Central America (including Mexico) and the Caribbean suffer from some form of institutional weakness—because significant portions of the population have not been incorporated into the political system, and/or because political action is not fully institutionalized, and/or because the legitimacy of the government is in doubt, and/or because there is no consensus concerning legitimacy within the political elite, and/or because the economy is vulnerable to shifts in the international market, and/or because regular infusions of aid are required, and/or because rising expectations have outstripped capacities. All are vulnerable to disruption, and must rely on force to put down challenges to authority."

#### SUBVERTED TRADITIONS, UNRELIABLE FRIENDS

In responding to the Kirkpatrick thesis, one would be wrong to downplay either the instability of the current situation or the direct Soviet influence on that situation. There are real threats to U.S. national security in Latin America, some of them underscored; also, the growing instability is already causing more suffering in Latin America than in the U.S.

But the Kirkpatrick thesis is not the answer, either before God and the people of Latin America or in terms of pragmatic U.S. interests. What she proposes in both Commentary articles and in the B'nai B'rith speech is not political realism, but utilitarianism—and the new government will soon discover that utilitarianism is no more viable as a single policy standard than was humanitarianism.

It is not realism to expect U.S. economic, political and military interests always to serve human values. But neither is it realism to deny the existence of those values above and beyond political power relationships; when ideals no longer exist in the abstract, then the nation will have lost its soul and will also fail to serve its own pragmatic interests.

The traditions which once provided stability, and made misery bearable in Latin America and elsewhere, are daily subverted by the traditional autocrats. In Latin America theirs is not a traditional god but a

puppet deity, prostituted on state occasions to the increasing indignation of even traditional bishops and lay leaders.

Traditional autocrats do disturb existing allocations of wealth, power and status. They massively displace Indians, peasants and urban slum-dwellers from their habitual places of residence, as land and timber values rise. They do disturb family and personal relations, as Argentine Nobelist Adolfo Pérez Esquivel and the Mothers of the Plaza de Mayo (mothers of the disappeared) are witness.

The difference between traditional and revolutionary autocracies is not systemic or even tactical; it is a matter of political and economic loyalties which are themselves highly unpredictable. Traditional autocrats are motivated by modern economic objectives, and pursue them in the context of a modern geopolitical struggle. For the sake of steel mills, hydroelectric plants, nuclear capability and their own personal appetites, these rulers build alliances with international companies and governments, shift local production to international markets, construct statistical economic "miracles," and use modern communications technology to promote imported consumer goods and cultural values.

These autocrats also fail to meet standards of efficiency and rationality which are not (as Kirkpatrick believes) unique to American culture, but are central to U.S. interests. Traditional autocrats entrust the international orientation and local implementation of policy to cousins, brothers-in-law or the highest bidders, and their actions regularly confound the logic of U.S. bankers and policymakers. They do not judge their interests and alliances by a single standard; as tested friends, some of them are overdue for re-evaluation.

But they will not stand still to be measured; already they are abandoning moderation in favor of military and police excess, and are expecting us to pick up the tab. "No more Nicaraguas" was the promise of 1980; now we face a proliferation of El Salvadors, all claiming to be our friends, each forcing us to modify or set aside any single standard of political credibility or economic and military cost-effectiveness.

Human rights, development, fairness and the oneness of humankind are not mere abstractions to those who care about them and suffer their absence, just as Kirkpatrick's vision of U.S. strength and national security is not abstract to her. They are all human values or principles to which mortal decision-makers refer in taking concrete action; instead of scorning them, we should thank God for the gift of abstraction, and face directly the responsibility of choosing among our principles when swift action is required.

There is no universally applicable single standard—and the sooner we realize this, the less credibility and the fewer lives, American and foreign, will be lost in the process.●

#### IOSIF MENDELEVICH

#### HON. STEPHEN J. SOLARZ

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. SOLARZ. Mr. Speaker, as my colleagues are already aware, on February 18, 1981, Iosif Mendelevich, a 10-

year prisoner of conscience in Soviet prisons, stepped onto Israeli soil a free man. Iosif is a living testimony to true courage in his endurance of 10 years of hardship, hunger, and ill health. He retained his devotion to Judaism throughout his ordeal, and was subjected to repeated punishment for his persistence in observing Jewish religious laws. At the time of his release he had just terminated a 54 day hunger strike held to protest the confiscation of religious and Hebrew study books and notes, which he used in teaching other Jewish prisoners.

It is important that, while rejoicing in the release of Iosif Mendelevich, we continue to work to secure the release of the only two remaining prisoners convicted with Iosif—Alexi Murzhenko and Yuri Fiordorov—as well as to pressure the Soviets for the freedom of other Jews held in Russia against their wills. I am certain that the storm of protest on Iosif Mendelevich's behalf from Members of Congress and the thousands of constituents who continue to bring these matters to our attention helped to secure his release, and we all must continue to apply this pressure to obtain the release of others unjustly held in the Soviet Union. I urge all of my colleagues to continue their efforts on behalf of these beleaguered people.●

#### MARTIN LUTHER KING: AN INSPIRATION RECALLED

#### HON. STEWART B. MCKINNEY

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. MCKINNEY. Mr. Speaker, quite appropriately, during these last few weeks, we have been fortunate to have read and heard a number of commentaries extolling the virtues and meaning of the life and career of Dr. Martin Luther King. Only a few, however, captured the excitement of the man and told of how stirring his very presence could be. Woody Klein is one of the few. An author and lecturer, Mr. Klein was among those present at the Abyssinian Baptist Church on November 14, 1965, when Dr. King made his first appearance in the pulpit of the Rev. Adam Clayton Powell. In a recent column for the Westport (Conn.) News, he recounted that moving event and I believe his words are worth sharing with my colleagues in the house. A former member of the administration of New York City Mayor John V. Lindsay, Mr. Klein holds to the beliefs and ideals of Dr. King and has endeavored to make them a reality. His column follows:

#### MARTIN LUTHER KING: AN INSPIRATION RECALLED

He opened the door to his suite at the New York Hilton on that summer after-



noon, August 30, 1965, thrust a strong, welcoming hand towards me, smiled and asked me to join him. He was in a pleasant mood, a little distant, quiet, calm, gentle.

It was the first time I had ever met the Rev. Dr. Martin Luther King.

Away from the crowds and the cameras, the noise and the klieg lights, he seemed strangely alone, almost shy. It was the private man, I realized, whom I was interviewing.

A mutual friend of ours, the Rev. Wyatt Tee Walker, who had once worked on Dr. King's staff, had arranged this last-minute exclusive interview for me when I was reporting for the New York World-Telegram and Sun, covering the civil rights movement.

Dr. King, president of the Southern Christian Leadership Movement, was to have met that afternoon with the United States Ambassador to the United Nations, Arthur Goldberg, to discuss the situation in Vietnam. But the meeting had been postponed and I was the fortunate recipient of the one-hour break in Dr. King's schedule.

We talked quietly about a great many subjects. He told me he thought Red China should be admitted to the U.N. "because it would be one of the best ways to ease tension in the world" and to make disarmament possible; he said the national anti-poverty program "should be greatly expanded or it might become another glorified welfare program to preserve poverty" instead of eliminating it; he said he felt most white people in positions of economic power "still fail to grasp the depths and dimensions of racial injustice" in the United States; and, he called New York Congressman Adam Clayton Powell "a very strong force" in Harlem who could possibly help the Negro civil rights movement by joining him in a people-to-people tour of the black ghettos.

"Do you think it would be helpful if President Johnson toured the ghettos of America?" I asked.

"It would have a tremendous psychological value," Dr. King replied. "The vast majority of Negroes have a high regard for Mr. Johnson. They feel he is working for them. There is no bitterness towards him in the rioting and the violence that has erupted. He is not to blame. He has done his best."

"Yet the rioting in Los Angeles and other parts of our country has hurt the movement and something is needed to give it a lift. A tour by the President—seeing poverty conditions for himself—should be followed by a massive economic program to give the people in the ghetto a stake in society."

I asked him if he felt his non-violent movement might spread to the North?

"I consider New York and the North a place where it will work," he replied. "It seems to me that if it doesn't take hold in Harlem and in Bedford-Stuyvesant there could be trouble. Frustrations can erupt at any time."

Three months later, on Sunday, November 14, 1965, I was sitting in the audience on a reporting assignment in the Abyssinian Baptist Church in Harlem, where the Rev. Adam Clayton Powell was about to begin his Sunday sermon.

He stood up, raised both hands and within minutes his followers were spellbound by his rhetoric, his emotional appeal, his charm. He asked his "brothers and sisters" to join in with him and, before the 30 minute speech was over, everybody in the church was cheering wildly.

Then he introduced the Rev. Dr. Martin Luther King, who had been sitting patiently

on the platform awaiting his turn. He had kept his word and had come to Harlem to seek support for his non-violent Southern Christian Leadership Movement. He started talking very quietly. The contrast between him and Rev. Powell was noticeable.

But as he began to warm up, the audience sensed his emotions peeling off, layer by layer. Within 15 minutes, he, too, had his listeners in a joyous response with every sentence he uttered. As his cadence quickened, the crowd became more and more excited.

When he finally sat down he received a standing ovation. He had out-performed Adam Clayton Powell on Mr. Powell's own podium.

That was the last time I saw the Rev. Dr. Martin Luther King.

For three years more, he would continue to be an inspirational force for equality and justice in America. Long after he received the Nobel Peace Prize, he continued to strive for the peace that has yet to come, the peace between races in America.

He was and still is, in the eyes of many, one of the great men of America in this century. And he inspired millions, black and white alike, until he was taken from us by an assassin's bullet on April 4, 1968, at the age of 39.

He would have been 52 tomorrow.●

#### SOIL CONSERVATION ACT OF 1981

HON. WILLIAM C. WAMPLER

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. WAMPLER. Mr. Speaker, today I join my colleagues, the Honorable ED JONES of Tennessee and JIM JEFFORDS of Vermont, in sponsoring the Soil Conservation Act of 1981. The purpose of this bill is to coordinate Federal and local efforts in addressing the critical needs of soil conservation, water management, and other related problems that exist in many areas of the United States.

Mr. Speaker, one of the most serious problems this country faces today is the permanent loss of productivity from our land due to improper management and erosion. Rising demands on American agricultural productivity, the conversion of cropland to urban use, and extreme drought conditions throughout the country have caused severe damage and loss to our agricultural land base. Studies indicate that we are losing about 4 billion tons of soil a year, 2 billion of which come from cropland. Some areas are losing as much as 100 tons of soil per acre per year.

The costs and losses associated with soil erosion have a profound effect on our economy. Failure to control soil erosion on farms and ranches could double the cost of producing food and fiber over the next 50 years, without regard to inflation or other factors.

The Soil Conservation Act of 1981 provides the means to address this problem with a rational and comprehensive approach. Participation is completely voluntary and will be targeted to the areas and problems which are most in need of assistance.

Essentially, the bill has five proposals. Title I establishes a special areas conservation program which will provide cost-sharing and technical assistance to areas of the country which have extremely severe erosion problems. This nationwide effort is modeled after the Great Plains conservation program which has been so successful in 10 Midwestern States.

Title II provides for a program of matching grants for State and local agencies to carry out conservation activities. This would allow each county to identify and address its conservation priorities and expand its sources of assistance.

Title III authorized the Commodity Credit Corporation to guarantee loans to farmers and ranchers for the purpose of installing sound conservation practices which will protect land and enhance agricultural productivity.

Title IV establishes a program for volunteers in conservation. This would allow voluntary service by interested people who are willing to assist the conservation programs of the Department of Agriculture without compensation and without displacing USDA employees.

Title V would target technical and financial assistance to watershed drainage areas above a few large reservoirs which the Secretary of Agriculture recognizes as having severe sedimentation problems. The intent is to demonstrate that conservation practices on the land can reduce sedimentation and thus protect not only water quality but also lengthen the effective life of the storage capacity of the reservoirs.

Mr. Speaker, I am not without reservation in supporting this or any other measure which may have some impact on the Federal budget. The proposals contained in this bill deserve the close scrutiny and careful consideration of every Member of Congress.

Nevertheless, I believe the problems which this country faces in preventing erosion and maintaining a strong agricultural land base cannot be ignored. I am looking forward to working with the House Agriculture Committee, the administration, and the other body in developing a program which will accomplish the goals of the Soil Conservation Act of 1981 without unnecessarily expanding the Federal budget.●

# THE SUPPLY-SIDE IMPACT OF OCCUPATIONAL CANCER

**HON. DAVID R. OBEY**

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. OBEY. Mr. Speaker, I would like to take just a minute of the House's time to say that I think the administration is ignoring the supply-side effects of work-related cancer. Each year between 50,000 and 80,000 Americans die of work-related cancers. The dissavings, compensation, and medical bills which these deaths entail amount to billions of dollars each year, dollars that might otherwise be spent on new plant and equipment.

I believe it is important to point this out, particularly in light of two things that the administration has done in recent days. First, the new administration has ordered the withdrawal of a current intelligence bulletin issued by the National Institute for Occupational Safety and Health and by the Occupational Safety and Health Administration which simply reports to businessmen, workers, and the general public the results of tests by the Chemical Industry Institute indicating that formaldehyde may cause cancer. This is not a question of Government's requiring that workers be protected from cancer-causing chemicals; it is simply a question of whether or not workers should be informed. I intend to insert the text of the bulletin in the Extensions of Remarks tomorrow.

Second, the Secretary of Health and Human Services yesterday fired Dr. Tony Robbins, a commissioned Public Health Service officer as head of the National Institute for Occupational Safety and Health. Dr. Robbins had served only 2 years of his 6-year term as Institute Director. The 6-year term for the NIOSH director came about as a result of an amendment offered by Senator Javits to insure that the Institute Director was selected and allowed to serve based on scientific qualifications rather than partisan politics. In the history of the Institute no Director has ever before been fired.

Dr. Robbins graduated cum laude from Yale Medical School in 1966, and he held, in addition, a masters in public health from Harvard. He had served as State director of public health in both Vermont and Colorado. In his 2 years at NIOSH he brought order out of the chaos which has continually plagued that small agency since its inception. He improved the quality of the scientific output and developed the first constructive relationship with the U.S. Department of Labor in the agency's history. He was, in short, the type of uniquely qualified and dedicated individual which Government agencies are too rarely able to attract. One can only surmise that

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his firing was made in hopes of finding a Director whose scientific findings will be more politically acceptable. I would therefore like to remind the Department and Dr. Robbins' successor that cancer has a negative net impact on productivity.●

### WHY JAPAN CAN AND WE CANNOT

**HON. PAUL FINDLEY**

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. FINDLEY. Mr. Speaker, a question which arises frequently in economic discussions by the voters is: Why is the U.S. economy so out of control when other industrialized nations like Japan can keep inflation at a moderate rate? A recent editorial in the Pike Press in my district addresses this very issue and offers a rational explanation into why they can and we cannot.

[From the Pike Press, Feb. 23, 1981]

#### LESSONS FROM JAPAN

President Reagan told the nation in his recent economic broadcast that America had the lowest rate of gain in productivity of virtually all the industrial nations with which it competes in the world market. Japan, he said, outproduces America in both automobiles and steel.

While the U.S. rate of inflation is running at more than 12 percent a year, in Japan in the fiscal year ending March 31, consumer prices are expected to rise about 7.5 percent from the previous year, when prices gained 4.8 percent. And this in a country that depends more heavily on foreign oil than any other industrialized nation.

How come?

For one thing, workers' wages in Japan aren't rising as fast as prices. Last year's wage increase was 6.9 percent.

More importantly, productivity gains are keeping pace with wage increases. For 1980, productivity is estimated to have grown about six percent. The previous year it rose 11 percent.

Another thing, unlike the U.S., cost-of-living clauses are not common in Japan so wages don't rise automatically with prices.

And if you want an example of truly staggering inflation take a look at Israel with a rate of 135 percent, second only to Argentina, and headed for a world record.

One reason for the extreme inflation in Israel is a wage system, both for union and non-union workers, that is pegged to the cost-of-living index, the same self-defeating device that has caused inflationary headaches in the U.S. and that Japan was wise enough to avoid.●

### WALTER CRONKITE: DEDICATED TO EXCELLENCE

**HON. JOSEPH P. ADDABBO**

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. ADDABBO. Mr. Speaker, this is the way it is, on Friday evening,

March 5, 1981

March 6, Walter Cronkite, a man many consider the most trusted man in America, as well as one of the most famous news anchormen in the history of the broadcast journalism, will give his final broadcast from the set of the CBS evening news. His absence from the evening news will be missed by millions of his loyal viewers, including myself, and I would like to take this opportunity to thank him for bringing a semblance of order and reason to the many confusing, hectic, and frightening events which have been beamed into our living rooms for the past 19 years. Without Walter sitting at his desk, giving it to us straight, it would have been impossible to comprehend how quickly the world was changing, whether it was for the worse or the better.

Walter did many things for us, though what many will remember is how he made the world a little more understandable for us. He understood how important personalities were, whether it was at conventions or space shots. News was, and still is, people, and Walter helped bring those people into our homes, where we could study them. A man dedicated to excellence, his confident delivery and objective news reports made us feel as if he were genuinely concerned how the events he was reporting would affect us. Whether he was covering an inauguration, the signing of a peace treaty, or July 4, 1976, he was forever setting standards for broadcast journalism that others will long aspire to.

Thank you Walter, thank you for giving us your best, night after night, year after year. There may be more conventions, inaugurations, and explorations into space, but somehow it just would not be the same without you. We will miss you, and never forget you, and may your future be just as rewarding and outstanding as your past.●

### FOSTER CARE EMERGENCY AND THE NEED TO ENCOURAGE ADOPTIONS

**HON. THOMAS E. PETRI**

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. PETRI. Mr. Speaker, I would like to call the attention of my colleagues to an editorial in yesterday's Washington Post.

The editorial highlights the problems of foster children and the pressing need to get the children back to their natural parents or to stable, permanent homes within a reasonable period of time. Because of the need to do something at the Federal level to assist the settlement of foster children in permanent homes, I recently introduced a bill, H.R. 1337, to amend the



Internal Revenue Code to treat adoption expenses in the same manner as medical expenses. Under current law, medical costs incurred for births can be deducted from Federal income tax, and I believe it is only fair to treat the lawful costs involved in adoption proceedings in the same way. This legislation would encourage strong family ties and improve the welfare of the child.

In my opinion, the editorial drives home the need to encourage alternatives to foster care—something my bill is designed to do. The text of the editorial follows:

[From the Washington Post, Mar. 4, 1981]

#### FOSTER CARE EMERGENCY

Pretend for a moment that you are a foster child in the District's care. If you are a typical foster child, here is what will happen to you, according to a report released by the D.C. Auditor's office last week: After entering foster care at age 3, you will remain with the foster care system for over 10 years. During that time, chances are that you will be shifted between institutions and foster homes at least three times. Three times you will be moved from place to place, breaking up relationships with adults, changing schools and friends. And all the while it won't be certain that the District's Department of Human Services knows that you are still out there. The department admits that it does not know how many children are in its foster care or where they all are. Even if the city does know where you are, there will be no plan for getting you back to your natural parents or for seeking a stable couple who would adopt you.

The city and the courts are supposed to review a foster child's status at a hearing every two years. In fact, the foster care system is so overloaded that the hearings are usually not held and the reviews are generally limited to a reading of the child's commitment papers. Even so, the city auditor's report estimates that 10 percent of the foster care children in the District are being held on commitments that have expired. For that 10 percent and most of the other children in foster care as well, there is no plan for what will happen in the future other than the continuation of foster care.

Getting a child out of the city's foster care system and up for adoption is now so rare that families seeking to adopt children are often forced to look to other cities and states. The decision on severing the child's relationship with its natural parents is an extremely difficult one. But the city's foster care system is not even putting it before the court where it is decided. Instead, the typical foster child is left in foster care to be shifted from one home to another with no plan for returning to a family. The reason for inaction is that the foster care system is overloaded and understaffed.

The city needs to begin a system of review for every foster care child—concentrating on infants and younger children. The goal would be to get the children back to their natural parents or to stable, permanent homes within a reasonable period of time. The current situation where children remain in care for about seven years and are shifted from here to there like so much baggage should not be allowed to continue. Many of the children in foster care have been neglected or emotionally and physically abused by their natural parents. It is

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hardly the role of the city government to neglect and emotionally abuse these children a second time.●

### EDGAR R. HILL TO BE HONORED

#### HON. ROBERT E. BADHAM

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. BADHAM. Mr. Speaker, today it is my privilege to pay tribute to one of those rare individuals whose accomplishments and contributions to his community are an inspiration to us all.

I am speaking of Edgar R. Hill, who will be honored on March 30, 1981, with the Giving Is Living Award, to be presented by the Voluntary Action Center of Newport Beach, Calif., which I have the honor to represent in the U.S. Congress.

"Uncle Ned" Hill, who is 87 years old, joined by his wife, Dora, have spent almost 50 years improving the quality of living by sharing their great talents, time, and energy working with, and for, others.

Ned and Dora came to California not long after they were married in the Midwest in 1932, where he founded a building materials company. Later, Ned moved to Newport Beach where he founded a shipbuilding company and produced subchasers for the U.S. Navy during World War II.

In recognition for this work, Ned was appointed in 1959 to the Advisory Council on Naval Affairs. In the field of business, he helped found a bank and later served as a bank consultant.

Ned Hill sponsored Boy Scout Explorer's Post No. 203, the first of its kind in the United States. Further dedication to his community was demonstrated when Ned joined with John Wayne and others to form the 552 Club, a support group for Hoag Memorial Hospital. Also, he founded the Executive Club of the YMCA and still holds the No. 1 membership card.

Meanwhile, Ned and Dora, who had served the city as mayor, learned that the Newport Beach Chamber of Commerce was deeply in debt and in danger of extinction. Ned became president and within 3 years the chamber was solvent, membership on the increase, and a headquarters building program planned.

Today the Newport Harbor Area Chamber of Commerce is the largest of all chambers in Orange County.

In addition to these activities, Ned Hill has been a charter member of the commodores club of the chamber, serves as a member of the board of directors, is past president of two Kiwanis Clubs, is a gold card charter member of the executive club of the YMCA and in 1970 received the Man of the Year Award from the chamber of commerce.

He received the Leadership Award from the Harbor Area United Fund in 1971 and a certificate of merit from the Newport Harbor High School for work in the vocational guidance program.

If ever there was a man who stood tall among men in Newport Beach and its neighboring communities it is Ned Hill, whose life and deeds have made his city a better place for all to live.

It is my great pleasure to rise before this honorable body to pay tribute to Ned Hill.●

## HUMAN RIGHTS

### HON. DON BONKER

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. BONKER. Mr. Speaker, as the debate rages regarding the future of a human rights policy, I would like to commend to the attention of the Reagan administration and my distinguished colleagues an extremely thoughtful essay on that subject by Colman McCarthy which appeared in the Washington Post of March 1, 1981.

The article follows:

#### WITNESSING THE BEST AND WORST OF HUMAN RIGHTS POLICIES

(By Colman McCarthy)

On the same day last week, the world had a chance to see two kinds of human rights policies being advanced. One was bold and humane, the other self-serving and manipulating.

In Manila, Pope John Paul II spoke as a genuine world leader eager to use his moral force on behalf of the oppressed in the Philippines. "Even in exceptional situations that may at times arise," he said, with the brutal President Ferdinand Marcos sitting a few feet away, "one can never justify any violation of the fundamental dignity of the human person or of the basic rights that safeguard this dignity."

In Washington, Alexander Haig went to Congress to win support for the Reagan administration's enthusiasm for the junta in El Salvador, a regime implicated in some of Central America's grossest human rights violations. Haig's effort was part of the administration's announced withdrawal from what it sees as useless human rights advocacy.

The words of the pope were forcefully direct, with no follow-up clarifications needed from the Vatican's explainers-of-papal-subtleties. If any doubts existed, the pope did his own clarifying: No government, no matter "the exigencies of security," can claim "to serve the common good when human rights are not safeguarded."

With world attention on him, Marcos was as pious as an altar boy serving his first Mass. "Forgive us, holy father," the dictator said of past church-state differences. "Now that you are here, we resolve we shall wipe out all conflicts and set up a society that is harmonious to attain the ends of God."

That syrup is impressive, except that another pope—Paul VI—was in Manila 11 years ago. God's ends haven't been much served since then, except for a little air-

brushing of the sordid a month ago when, with another pope about to the fly in, Marcos lifted martial law.

Being in a predominantly Catholic country, John Paul II was doing much more than issuing a rebuke to a regime that in the last decade has held and tortured thousands of political prisoners. He was stirring engaging in "prophetic criticism," a phrase of Rosemary Ruether, the American theologian who wrote in a recent issue of *Commonweal*: "... the stance of prophetic criticism is not one of attack on other people's religion or society, but a faithful judgment on one's own religious and social community; a calling it back to faithfulness to its own professed ideals."

In a secular context, this is the tragedy of the Reagan administration's dismissal of human rights advocacy. Suddenly, the nation's professed ideals don't matter, as if rights advocacy were merely something that an overly zealous Jimmy Carter cooked up.

It wasn't at all. In 1975 Congress passed a provision in the Foreign Assistance Act that said, "A principal goal of the foreign policy of the United States is to promote the increased observance of internationally guaranteed human rights."

With Ernest Lefever selected by Ronald Reagan to be the assistant secretary of state for human rights and humanitarian affairs, this law is likely to be ignored or broken. Two years ago, Lefever told a House subcommittee that "it shouldn't be necessary for any friendly country to pass a human rights test before we extend normal trade relations, before we sell arms, or before we provide economic or security assistance. This approach, I believe, should be adopted toward adversary states like the Soviet Union."

With the murderous junta of El Salvador well within this definition of "friendly"—and what's the killing of a few nuns or other "moderately repressive" acts among buddies?—the victims of human rights violations can only feel betrayed by the United States.

In Congress, some hope exists. Reps. Gerry Studds, Robert Edgar and Barbara Mikulski have introduced legislation to cut off U.S. arms sales to El Salvador. It will lead only to more violence, they argued, as well as create more enemies for the United States. Our role should be to join the effort for a negotiated settlement of the revolution. It should also be a recognition that a bold position by the church on human rights is sound morality—and for a nation, it is sound politics.●

#### UNNATURAL GAS LAWS

**HON. WILLIAM E. DANNEMEYER**

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. DANNEMEYER. Mr. Speaker, an editorial in the *Chicago Tribune* of February 24 commented on the Natural Gas Policy Act of 1978 and the Fuel Use Act of the same year, in the following manner:

If the President and Congress want to make natural gas a weapon in the fight to reduce our dependence on imported oil, they should discard both of these policies.

With the thoughts expressed by this editorial in mind, last week I intro-

duced H.R. 2019, the Natural Gas Decontrol Act of 1981, to provide for the immediate, total deregulation of natural gas. In addition, I have cosponsored two pieces of legislation to amend the Fuel Use Act, introduced by several of my able colleagues.

H.R. 1464, by Mr. YOUNG of Missouri and Mr. CORCORAN, amends the Fuel Use Act to permit owners of residential gaslights to retain service to those lights. The second bill, jointly introduced by my distinguished colleagues from California and Texas, Mr. MOORHEAD and Mr. GRAMM, is H.R. 1765. This bill removes the restrictions on the use of natural gas by existing powerplants.

I urge the support of my colleagues for these pieces of legislation which, taken together, move in the direction of recognizing the importance of natural gas in our energy future. I ask permission to insert the full text of the editorial at this point in the *RECORD* and commend it to my colleagues for their consideration:

#### UNNATURAL GAS LAWS

President Reagan had hardly learned his way to the White House water cooler when he liberated oil and gasoline from the bonds of federal price controls. This was wise but largely symbolic, since the chains were due to be lifted in October anyway. So far, however, Mr. Reagan has averted his gaze from the shackles the federal government has placed on the production and use of natural gas. These, much more than the controls on oil and gasoline, threaten to make the yoke of the foreign oil cartel heavier on all of us.

Natural gas is the closest thing we have to a perfect fuel. It is clean, versatile, and abundant. And unlike oil, its price and supply are not controlled by OPEC. In fact we have plenty of it right here at home. But so far we have not exploited the numerous advantages of gas.

Why not? There are two main obstacles. The first is the Natural Gas Policy Act, which established a Byzantine maze of price controls on more than two dozen categories of gas. The uncontrolled price of a barrel of oil is now about \$36. But the equivalent amount of gas sells for less than \$16. Since gas has several advantages over oil, this is like pricing French wine below beer. The result is that energy firms are putting most of their money into the search for oil instead of gas, even though most experts estimate our gas resources to be considerably greater than those of oil. Last year, the drilling rate for natural gas was up only 7 per cent; for oil it was up 39 per cent.

The federal government has even taken measures to discourage the use of natural gas. The chief culprit is the Fuel Use Act, which forbids the construction of new gas boilers by utilities or industrial companies and requires existing ones to be switched to coal by 1990. This has limited the use of gas in favor of coal (and, perversely, oil), which is dirtier and less versatile than gas. That policy might make sense if we were indeed exhausting our reserves of gas, as was commonly believed when the law was passed three years ago. But the evidence now suggests potential reserves are enough to last beyond the foreseeable future. Those reserves, however, won't be of much use if the government continues to outlaw some uses of gas. Besides this law, there are govern-

ment regulations which place the burden of any gas shortages directly on industrial users. Thanks to the price controls, there have been several shortages in the last decade. Industrial users understandably prefer fuels whose supplies are more reliable.

If the President and Congress want to make natural gas a weapon in the fight to reduce our dependence on imported oil, they should discard both of these policies. Decontrol of prices will increase supplies, but they will be useless as long as demand is artificially depressed. Removing the impediments to greater use of gas likewise will be pointless unless coupled with steps to increase gas supplies. Taken together, these measures would do much to subvert OPEC's tyranny without sacrificing public health or the environment. Freeing gas would help to free us all.●

#### H.R. 2311 WILL MAKE ADOPTION EXPENSES TAX DEDUCTIBLE

**HON. WILLIAM LEHMAN**

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. LEHMAN. Mr. Speaker, I have introduced legislation, H.R. 2311, to amend the Internal Revenue Code of 1954 to allow individuals a deduction for certain expenses paid or incurred in connection with the adoption of a child. The deduction would apply to the amount of adoption expenses paid by the taxpayer during the taxable year.

Adoption expenses would include reasonable and necessary adoption agency fees, court costs, attorney fees, and other expenses which are directly related to the legal adoption of a child by the taxpayer and which are not incurred in violation of State or Federal law.

There is a great need for this legislation. Many people who could not otherwise afford to pay adoption costs would be able to adopt homeless children. This need was given attention at the recent White House Conference on Families by passage of a resolution calling for Federal tax policy to provide additional exemption or credits for families adopting a child. The delegates to the Conference expressed the view that adoption is a time-honored and legitimate mode of family formation and is the best method for insuring every child's right to a family.

Another important aspect of this legislation is the potential alleviation of some of the social and financial costs associated with State and Federal foster home programs. Adoption is the long-term solution to problems of instability and insecurity that children in foster care often face. While foster home programs provide great service and solutions to many problems, they do not provide long-term solutions. Breaking the financial barrier to adoption would mean that more foster chil-



dren would be adopted. It is estimated that up to one-third of the foster children could be adopted if barriers were removed. This would trim the largest item in the child welfare budget. Of all the public spending on children in substitute homes, approximately 97 percent goes to foster care and only 3 percent to assist in adoption services. Although it is estimated that approximately 750,000 American children are presently in foster care, making it easier for people to adopt some of those children would ease the burden of poorly paid staff that are often professionally unprepared and ill-equipped to legally free children for adoption. The tax deduction which my bill allows will both encourage and make possible adoptions by more families and will not become a yearly expense to the Government.

For the adoption of foreign-born children, placing needy children in loving homes, at no cost to the Government, will become more accessible for the many married and single people who wish to adopt these children. Ms. Lorri Kellogg, executive director of a private adoption agency in North Miami Beach, Universal Aid for Children, Inc., informs me that the expense of adoption is the major obstacle for people who wish to adopt foreign-born children.

It is time that birth and adoption are placed on equal terms as modes of family formation. In the words of Mr. George Welch, a constituent, adoptive father, and board member of Universal Aid for Children, Inc.:

The costs of childbirth are deductible as medical expenses, and now that special kind of "birth" that is adoption will also be deductible.

I urge my colleagues to join in co-sponsoring this long overdue legislation. The text of H.R. 2311 follows:

#### H.R. 2311

A bill to amend the Internal Revenue Code of 1954 to allow individuals a deduction for certain expenses paid or incurred in connection with the adoption of a child

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That (a) part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to additional itemized deductions for individuals) is amended by redesignating section 221 as section 222 and by inserting after section 220 the following new section:

#### "SEC. 221. ADOPTION EXPENSES.

"(a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction the amount of the adoption expenses paid or incurred by the taxpayer during the taxable year.

"(b) ADOPTION EXPENSES DEFINED.—For purposes of this section, the term 'adoption expenses' means reasonable and necessary adoption agency fees, court costs, attorney fees, and other expenses which are directly related to the legal adoption of a child by the taxpayer and which are not incurred in violation of State or Federal law.

"(c) DENIAL OF DOUBLE BENEFIT.—No amount which is taken into account in com-

puting a deduction or credit under any other provision of this chapter shall be allowed as a deduction under this section."

(b) Section 62 of such Code (defining adjusted gross income) is amended by inserting after paragraph (15) the following new paragraph:

"(16) ADOPTION EXPENSES.—The deduction allowed by section 221."

(c) The table of sections for such part VII is amended by striking out the item relating to section 221 and inserting in lieu thereof the following:

"Sec. 221. Adoption expenses.

"Sec. 222. Cross references."

(d) The amendments made by this Act shall apply to taxable years beginning after December 31, 1980.●

### FIGHT CRIME BY ELIMINATING \$100 BILLS

#### HON. ANTHONY C. BEILENSEN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. BEILENSEN. Mr. Speaker, there is one easy way for us to make it difficult for criminals to conduct business: Remove \$100 bills from circulation. Cash is the means of doing business for those involved in numerous illegal activities—from drug smuggling to tax evasion—and the more obvious and cumbersome their illegal payments become, the more likely there will be discovery by law enforcement officials. Because removing \$100 bills from circulation will deter crime, but not interfere with legitimate transactions, except for, perhaps, occasional inconveniences, I am introducing a bill to prohibit the Federal Reserve from printing notes in denominations of \$100, and to provide that after January 1, 1982, \$100 bills will no longer be legal tender.

Long ago the Federal Reserve stopped printing bills in denominations larger than \$100. Who has missed them? Only those who need to carry or hide large amounts of money, in cash. Likewise, it is evident that the only people who would miss \$100 bills are those who want to do business only in cash in order to avoid bank records and the involvement of an outside party in their transactions. People avoiding bank records are doing something illegal—or at least questionable—with their money. It is an undisputed fact that cash is the method of payment in the world of drug dealing, gambling, racketeering, extortion, political payoffs, and other unlawful activities. Cash payments are also used as a way to evade taxes—professionals and contractors, for example, can demand cash payment and, by avoiding bank records, can avoid paying taxes on the money collected.

Removing \$100 bills from circulation will not put an end to illegal cash payments, but it will make such transactions much more difficult. Without

these bills, criminals are forced to use \$50's, \$20's, and \$10's for cash payoffs. It is much harder to smuggle money out of the country, hand a person \$5,000 in a public place, or carry an envelope containing \$1,000 in one's shirt pocket if a person must use bills of small denominations rather than \$100's. Without \$100's, the means of criminal activity become at the very least twice as bulky, unwieldy, burdensome—and most of all, conspicuous—as they are with \$100's.

Depriving criminals of such a convenient means of business as large-denomination bills would hardly be worth considering if there was not such good reason to be suspicious of widespread use of these bills. A remarkably large portion of our currency consists of \$100's—yet law-abiding citizens have little, if any, use for these bills.

There is about \$49.3 billion worth of \$100 bills in circulation, making up nearly 40 percent of the total amount of cash in circulation. It is astonishing that there are more than 493,000,000 \$100 bills in circulation, because it is so rare that the average person ever sees any of these bills. In spite of the increase in the use of credit cards, personal checks, payroll deductions, and other forms of cashless payments over the last decade, there has not been a corresponding decrease in the number of \$100's in circulation. In the last 10 years, in fact, the percentage of all cash in circulation represented by \$100 bills has almost doubled—from 22 percent to nearly 40 percent. The Treasury Department has studied the flow of \$100's and concluded, not surprisingly, that \$100's are probably being hoarded, and that hundreds of millions of dollars in \$100's have been transported out of the country in recent years.

We can guess who is not using \$100's: The average, law-abiding citizen. Even with inflation, there is little cause for carrying \$100's. It is hard to imagine a situation where a few \$20's would not be sufficient cash for one's day-to-day transactions—and as much cash as anyone would want to carry on his or her person. People who do not use credit cards—which most people do use for purchases costing more than the average amount of cash which they carry with them—write personal checks or use traveler's checks for major purchases. Almost no one making a legitimate large transaction uses cash any more.

The inconvenience that removing \$100's from circulation might cause people who use these bills for legitimate purposes seems very minor indeed compared to the advantages that might be gained by making it more difficult for people involved in illegal activities to transfer and hide large sums of money. If we can reduce

crime at such a small expense and with minimal inconvenience to law-abiding citizens, it is certainly worth a try. I would urge the members of the Banking, Finance and Urban Affairs Committee to consider this proposal—a simple but powerful one—and act on it favorably.●

#### ALCOHOL AND DRUG ABUSE AMENDMENTS OF 1981

**HON. HENRY A. WAXMAN**

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. WAXMAN. Mr. Speaker, I am pleased to announce the introduction of H.R. 2272, legislation to extend for 3 fiscal years the authorization of appropriations for programs of assistance sponsored by the National Institute on Alcohol Abuse and Alcoholism (NIAAA) and the National Institute on Drug Abuse (NIDA). NIAAA and NIDA represent the Federal Government's first line of defense in the battle against two of this Nation's most intractable public health problems. Each day, programs sponsored by the Institutes support prevention activities and provide treatment services to thousands of Americans crippled by drug and alcohol abuse.

The future of these Federal programs is very much in doubt. The Reagan administration has proposed that Federal funding for alcohol and drug abuse programs be reduced over 25 percent and the remainder folded into a multibillion dollar discretionary State health block grant. H.R. 2272 stands in sharp contrast to this extension of State revenue sharing and is, I believe, a more efficient use of limited Federal alcohol and drug abuse funds.

I do not object to States playing a greater role in the delivery of health care services; indeed I welcome it. What I object to is the discretionary nature of the administration's proposal and the potential it poses for the wholesale closing of hundreds of treatment programs and a reduction in prevention activities nationwide.

H.R. 2272 assumes a cautious and more realistic approach to State administration of Federal alcohol and drug abuse dollars. The bill provides authority for the award of grants, directly to State governments, for the development and administration of drug and alcohol abuse prevention and treatment services. These grants are categorical and require a 50-percent match to insure that the Federal contribution will build upon, rather than supplant, State funding. Reports on the administration's health block grant indicate that it does not require cost sharing and therefore may encourage an overall reduction in the level of State funding for these activi-

ties. If we are to transfer a greater portion of Federal funding responsibility to the States, I believe we should transfer program accountability as well.

Hearings on H.R. 2272 will be held Wednesday, March 11, 1981, beginning at 9:30 a.m. At that time, the subcommittee will hear from a wide range of witnesses representing State governments, the private voluntary sector, public health experts, as well as NIAAA and NIDA. It is my intention to carefully review the strengths and failures of current Federal programs and explore the impact of the administration's health block grant on our Nation's commitment to reducing the impact of drug and alcohol abuse on society.●

#### MX MISSILE AND SOCIETY'S VALUES

**HON. JIM SANTINI**

OF NEVADA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. SANTINI. Mr. Speaker, I would like to enter in the RECORD a newspaper article that appeared in the January 14-15, 1981, issue of the Desert News in Utah. It was written by Maj. Gen. W. T. Fairbourn of the U.S. Marine Corps, a former senior strategic planner with the U.S. Joint Chiefs of Staff. Major General Fairbourn seriously questions the effectiveness of the Air Force's MX racetrack proposal and suggests other alternative systems be reviewed. I hope my colleagues will give it the serious attention I believe it merits.

#### THE PROPOSED MX DEPLOYMENT IS STRATEGIC LUNACY

(By W. T. Fairbourn)

Early in World War II Franklin D. Roosevelt secretly commissioned the Manhattan project which resulted in the production of the atomic bomb.

Harry Truman ordered that the first two bombs produced be used against the Japanese in order to end World War II in 1945.

The United States continued to improve the fission weapons and to stockpile them and enjoyed a world monopoly in atomic destructive force until the Soviets tested their first weapon.

When the United States tested its first fusion weapon at Eniwetok, the island (Engebi) where the weapon was exploded disappeared. The Soviet Union followed suit by developing its own fusion weapon.

The United States developed and deployed the MIRV (Multiple Individual Reentry Vehicle). The Soviets have followed suit.

The United States developed the missile submarine which is now in its fifth generation. The Soviet Union is following suit and has missile submarines deployed.

The United States is preparing to deploy the cruise missile. The Soviets have a counterpart.

The United States is preparing the MX as a "mobile" missile. The Soviets are following suit by modifying their SS-18.

In every case the United States has been the leader and Russia has been the follower. Thus history will assign to the United States the ultimate responsibility for the creation and disposition of this awesome weapon.

Is it not time to decide whether we wish to perpetuate human life as we now know it on this planet or whether we wish to participate in its annihilation?

There are various estimates as to the megatonnage needed to render the Soviet Union militarily ineffective. I will use a nominal figure of 400 megatons. In our strategic configurations we have more than eight times that amount. If we add to this the amount we have in theater and tactical weapons configuration it will exceed 20 times the figure of 400 megatons.

Is there justification for the 370 additional megatons that MX will produce? I find none.

This is proliferation where none is justified. At a time when the United States should be taking the lead in the reduction of nuclear weapons it is unilaterally taking deliberate action to increase it.

There is a considerable body of opinion that holds that the United States must be superior in both megatonnage and in warheads in order to maintain her position vis a vis the Soviet Union. This belief will not bear scrutiny. What the United States needs is adequate nuclear force to accomplish its mission, e.g., to render the Soviet Union militarily ineffective. More nuclear weapons are unnecessary. Overkill serves no useful purpose.

As a part of keeping our technology the most advanced in the world we need the MX as a replacement. We deserve the best missile in the world because we can produce it. This is our only justification for the MX but it is inadequate.

To be worthwhile MX must be deployed in a survivable configuration and in geographic locations where it can accomplish its mission without hazarding the destruction of that which it is designed to protect. Deployment in the shell game configuration in the Utah and Nevada desert meets neither of these requirements. Let us address the configuration first.

The administration "perceives" that the Minuteman III is becoming vulnerable. For the moment let us accept this "perception" as being a fact. Should we replace it with a new weapon in essentially the same configuration as the present Minuteman? It is my conclusion that a weapon that weighs 195,000 pounds, is buried beneath the level of the ground, moves once or twice a year, for a minimum of 7,000 feet and a maximum of 10 miles, is hardly a mobile weapon. Whether placing the weapon in any one of 23 prepared emplacements will effectively hide it for its lifetime is conjecture. It is my professional opinion that neither a prudent individual nor a prudent nation would risk the survivability of such an important weapon to such an improbable future.

The proposed location in Nevada and Utah would make construction relatively simple. With the clusters located relatively close together, command, control and communication would be relatively simple. Local security in an isolated area with a sparse population would be enhanced. These appear to be all the advantages.

Turning to the disadvantages, there are many. If the U.S. objective is as the Secretary of Defense announced at the Democratic National Convention "To so structure our strategic forces as to convince the Sovi-



ets that they cannot win a nuclear war," this means making MX survivable. Survivability will not be accomplished from this location. This is the primary disadvantage and it is a fatal flaw. By the Air Force's own statement, 4,600 warheads on this complex would destroy it. This is within the current capability of the Soviet Union (1980 Air Force statistics credit the Soviets with 6,000 warheads). Further, by the time the proposed deployment is completed it is within the Soviet capability to produce at least twice the number (1,200) warheads that they now have on hand. Construction of this particular deployment will undoubtedly motivate the Soviets to exercise this capability.

The destruction of the MX complex by 4,600 Soviet Warheads delivered over a short period of time would create a post detonation situation beyond comprehension.

No one has yet tried to extrapolate the direct effects of 4,600 weapons delivered in a limited area to say nothing of the residual effects. These would be ground bursts intentionally and therefore, would produce the maximum possible residual effects. The author's own thumbnail evaluation of these effects leads him to conclude that considering the winds and current from west to east, at least 50 percent of the U.S. population would be affected. Sixty percent of the arable land of the United States would be rendered unproductive. This would destroy the nation's food supply and the world's bread basket for generations to come. The capability of the West to become the nation's principal energy source would be destroyed. The principal industrial complexes would be untenable from contamination. Human life as we know it today throughout the United States would cease to exist. It is inconceivable that any rational nation could willingly and deliberately fall victim to such genocidal activities.

Those who disagree with the author's conclusion will argue that a nuclear strategy is successful only if the weapons are never used. No argument is offered on this point. What is seriously in question is deliberately offering the proposed MX deployment, the majority of the U.S. population, the arable agricultural land, the U.S. industrial complex, the energy potential of the West to destruction by a single attack utilizing the MX deployment as the aiming point.

Perhaps this aberration in national rationality would be understandable if this proposal were the only solution or even if it were the best of several solutions.

It would appear that the authors of the proposed deployment fail to understand simple principles of defense. To locate the defending forces (such as Minuteman) within the elements to be defended (i.e. population, arable real estate, etc.) made some sense when the Minuteman was not vulnerable. To continue the same general manner of deployment after vulnerability has become probable is indefensible.

Both the defending elements and the defended elements can be destroyed by a single attack.

If the Minuteman deployment is vulnerable so also is the proposed deployment of the MX just as vulnerable.

Now is the time to correct the perceived vulnerability of the Minuteman and at the same time to replace it with the MX in a truly mobile configuration, and incidentally to separate the defending forces from the elements of national power which those forces are defending.

There are many small islands under U.S. control in the Pacific. Examples of these is-

lands include Midway, Wake, Johnston, Howland, Baker, Christmas and on ad infinitum. Each one of these islands are capable of providing anchorage for one or more surface or subsurface vessels.

There are countless anchorages, havens and coves along the U.S. portions of the inland passage between Seattle and Alaska. Each one of these anchorages is capable of holding one or more surface or subsurface vessels.

There are numerous capital ships (battleships, carriers, cruisers and submarines) in moth balls that would make suitable platforms for ICBMs or their decoys. These could be deployed from anchorage to anchorage in a random manner.

The variety of combinations immediately available in such an array of forces and facilities is mind boggling. True mobility would result.

To continue the development of a system that is already vulnerable, that cannot be fully deployed for 10 years, that cannot accomplish its mission when deployed, that increases the attractiveness of the United States as a target; while failing to investigate reasonable concepts such as presented herein is in the author's judgment strategic lunacy.●

#### CZECH CLAIM LEGISLATION REINTRODUCED

HON. RICHARD L. OTTINGER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. OTTINGER. Mr. Speaker, I am today introducing legislation which was sponsored in the 96th Congress by Lester Wolff of New York, which will settle an issue that has dragged on for over 30 years. This measure will repay—at no cost to the U.S. taxpayer—those U.S. citizens who have valid claims against the Government of Czechoslovakia arising from losses they sustained as a result of their property being seized by the Government of Czechoslovakia during World War II.

The impasse in the settlement of these claims is, in part, due to the linkage of the claims against Czechoslovakia with the Czechoslovak gold reserves controlled by the United States. This gold was confiscated from Germany at the end of World War II after having initially been looted by the Germans from the various European countries, including Czechoslovakia, which Germany occupied during the war.

This linkage of American claims and Czechoslovak gold was officially established in section 408 of the Trade Act of 1974 in which Congress provided "that Czechoslovak monetary gold held under control of the United States may not be returned until a claims agreement has met congressional approval."

Since congressional enactment of the Trade Act of 1974 instructed the Department of State to renegotiate a compensatory agreement with the

Czechs, 7 fruitless years have passed during which the Czechs have refused to negotiate. Regrettably, the State Department has stopped pressing the matter.

Thus, more than 30 years after the Czechoslovak confiscation program was completed, American claimants remain largely uncompensated for the losses which they have sustained.

One need only communicate personally with some of these aging awardholders, as I have, to appreciate their pain and disappointment as this matter goes unresolved.

This legislation offers the only assurance available that the 2,600 American awardholders will be repaid. It calls for a fair negotiated settlement, but, failing that, would require:

First, liquidation of Czech gold located in the Federal Reserve Bank in New York;

Second, investment of the gold's proceeds; and

Third, repayment of the American awardholders from the investment interest.

I should note that this bill is also fair to the Czechoslovaks as it stipulates that the liquidated gold's full value would be returned to Czechoslovakia after payment of the American awards from the investment interest.

Mr. Speaker, these aging American awardholders literally cannot wait any longer for relief. If the State Department cannot guarantee a prompt, compensatory settlement—and it has repeatedly admitted that it cannot—then the Congress should act swiftly to end this cruel impasse by enacting this important piece of legislation.●

#### IZOLDE TUFELD CASE

HON. PATRICIA SCHROEDER

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mrs. SCHROEDER. Mr. Speaker, I would like to bring to the attention of my colleagues the case of Izolde Tufeld. She has been suffering for the last 2 years with a neurological disease, which if treated, is curable. Her husband, Dr. Vladimir Tufeld, has been in contact with neurological surgeon Dr. Verner Friedman in Denver, Colo., by letter and telephone, and has been advised by Dr. Friedman that his wife is suffering from an acoustic neuroma, or some other cerebello pontine angle tumor. In the absence, however, of laboratory test and a CT scan, neither of which are available in the Soviet Union, this diagnosis cannot be confirmed. Dr. Friedman has invited Dr. and Mrs. Tufeld to come to Denver so that she can be treated. Their visa, however, has been denied by the Soviet Government.

I am asking that my colleagues join me in petitioning the Soviet Government to reconsider their decision and allow Mrs. Tufeld to come to Denver for medical treatment so that her life might be saved.●

#### COUGAR LAKES WILDERNESS

#### HON. MIKE LOWRY

OF WASHINGTON  
IN THE HOUSE OF REPRESENTATIVES  
Thursday, March 5, 1981

● Mr. LOWRY of Washington. Mr. Speaker, I am pleased today to introduce a bill to designate a 279,000 acre Cougar Lakes Wilderness in the central Cascades of the State of Washington. Inclusion of the Cougar Lakes in the National Wilderness Preservation System will benefit Americans everywhere, for not only is this a region of remarkable beauty and great ecological diversity, but it is also one which offers a variety of recreational experiences to both the rugged outdoorsman as well as the 1-day urban visitor.

The Cougar Lakes bill proposes a wilderness consisting of two large adjacent units which retain their primeval character despite their proximity to national forest lands which are being used for intensive timber harvesting. The proposed wilderness contains the rolling meadow and forest communities of the Tumac Plateau, the volcanic cinder cones and plugs of Spiral Butte and Fifes Peak, the wind-swept slopes of Mount Aix, clear trout streams such as the Rattlesnake and Crow Creek, the deeply forested valleys of the Greenwater and Little Naches Rivers, glacial cirques along the crest of the Cascades, and lakes of all sizes too numerous to mention. The area's pristine valleys provide clean waters for local agriculture and for sport and commercial fisheries. The wide variety of fish and wildlife includes peregrine falcons, elk, native cutthroat trout, wolverines, and, of course, a few cougars.

A wilderness area is not only important for its ecological values—a wilderness is for people as well. And Cougar Lakes is close to people. It provides an area where Puget Sound's urbanites can enjoy nature, and it is immediately accessible to those in Yakima and Ellensburg who have the privilege of living so nearby.

The Cougar Lakes region has already served as an inspiration for one of Washington State's greatest human resources, the late Justice William O. Douglas. Bill Douglas grew up in Yakima. As he relates in his autobiography, "Go East, Young Man," it was in the Cougar Lakes that he developed his love for the outdoors, his robust physical condition, and his under-

standing and appreciation of nature which so characterized his work and his writing. There is no greater tribute to the beauty of Washington's Cougar Lakes than this: Throughout his distinguished career on the Supreme Court, Justice Douglas returned to his beloved home at Goose Prairie. It was to Goose Prairie that he retired following his long service to the Nation. Justice Douglas described his first visit to the area as a young man:

When I left the road at Soda Springs, I was at once in a deep forest that no axe had ever touched. Yellow pine reached to the sky, one hundred, two hundred feet. This was the dry eastern slope of the Cascades. There was little underbrush—the woods were open, not dense. Sun came streaming in as if it were pouring through long narrow windows high in a cathedral. The soft notes of some bird, a thrush I believe, came floating down through the treetops. As I listened, it was as though a music had come from another world. I had not gone a quarter mile when I felt the solitude of the mountains. I had been in them before, but this was the first time I had been alone. This was the first time I had felt the full impact of their quietness. It was so silent I could almost hear my heart beat. No moving thing was in sight. The quiet was so deep that the breaking of a twig underfoot startled me. I was alone but I felt dozens of animals must be aware of my presence and watching me—hawks, flycatchers, hummingbirds, camprobbers, bear, cougar, deer, porcupine, squirrels. Yet when I looked, I could see nothing but trees and sky. Then I became aware of the fragrance of the trees. The ponderosa pine towered above all others and I began to see the scattering of other conifers: black, white bark pine, white and red fir, and the tamarack or larch. I stopped, looked up, and took a deep breath. Then I suddenly realized I was experiencing a great healing. In Yakima, I suffered from hay fever. Suddenly it was gone. My nose was not stuffy, my eyes were clearing. I breathed deeply of the fragrant air again and again as I lifted my face to the treetops. I had been hurrying and strained. I was alone and on my own in an unexplored land. I was conscious of being exposed to all the dangers of the woods—a prey for any predator or man. But now, strangely, that apprehension fell from me, like ashes touched by wind. I suddenly felt that these pine and fir that had greeted the early explorers were here to welcome me too. These trees were friends, silent, dignified, and beneficent. They were kindly, like the Chinook. They promised as much help and solace to me as had the sagebrush and lava rock of the foothills. I felt peace spread over me. I was at ease in this unknown wilderness—I who had never set foot on this particular trail, who had never crossed the high ridge where I was headed, felt at home. One who is among friends, I thought, had no need to be afraid.

Mr. Speaker, such an enduring resource of ecological, recreational, and wilderness values as we find in the Cougar Lakes regions should be preserved for the benefit and inspiration of future generations of American people. I urge prompt action on this bill.●

#### ON THE U.S. COMPTROLLER GENERAL'S REPORT ON PUERTO RICO'S POLITICAL FUTURE

#### HON. BALTASAR CORRADA

OF PUERTO RICO  
IN THE HOUSE OF REPRESENTATIVES  
Thursday, March 5, 1981

● Mr. CORRADA. Mr. Speaker, the report issued on March 2, 1981, by the Comptroller General of the United States, Elmer Staats, on the question of Puerto Rico's political future as a result of requests made by Senator J. BENNETT JOHNSTON and myself is a well-documented study analyzing the options of statehood, changes in commonwealth status, and independence.

The report, very appropriately, does not seek to take sides on the complex, vital, and highly debated issue of Puerto Rico's future political relationship with the United States. The significance of this report is that it will assist the people of Puerto Rico and its political leaders as well as Congress and the President in future status deliberations by describing Puerto Rico's economic, social, and political development, and intricate relationship with the Federal Government, and by exploring issues and potential impacts likely to be addressed by Puerto Rico and the Congress in the event of such deliberations concerning the merits and ramifications of each status alternative.

The exposition of the three status alternatives—statehood, changes in commonwealth status, and independence, as they are described by advocates of each formula is serious and responsible. We, as Puerto Ricans, should feel proud of the degree of sophistication and wisdom shown by proponents of each of the three formulas as they defend policies and strategies concerning economic development, scope of government services, and revenue sources to finance such activities in the event their preferred political status is favored by the people and by the commitment of all Puerto Ricans, regardless of their status preference, to the preservation of our culture, our Spanish language, and our identity as a people.

Looking into some of the specifics in the report, as they pertain to the economic viability of statehood, it is important to note that:

One. Payment of Federal taxes by individuals under statehood will not be burdensome to our population and will be set off by substantial increases in additional Federal funds coming to Puerto Rico both to individuals as well as the government. The island's Federal individual income tax liability would have increased by only \$248 million over what we now pay under the current status if we had been a State



in 1979. Because of Puerto Rico's low per capita income, about 43 percent of the Puerto Rican tax returns in 1979 would have had no Federal tax liability and 70 percent of Puerto Rican tax returns could have been eligible for an estimated \$36 million in earned income credits.

Two. The government of Puerto Rico may reduce Puerto Rican income taxes as a relief to individuals paying Federal income taxes. For instance, the \$248 million paid by individuals in Puerto Rico to the Federal Government in income taxes under statehood could be reduced by the Puerto Rican government by tax cuts under the Puerto Rican income tax laws.

Three. If Puerto Rico had been a State in 1979, the island would not have received \$273 million in Federal excise tax and custom duty rebates—mainly from alcoholic beverages, gasoline, cigarettes, and others—but such lost revenue would have been replaced by the estimated increased Federal aid under statehood. Although much of this aid would have been paid to individuals or targeted to increase funding in existing services there would have been an estimated net \$320 million in general revenue sharing aid and Puerto Rican government funds freed up by the increased Federal share in medicare—health services to the poor—aid to families with dependent children, and cash assistance payments to the elderly, the disabled, and the blind under the supplementary security income program.

Four. The main tax impact under statehood would go to corporations which would have to pay slightly over \$1 billion in Federal taxes. In this area, those of us who favor statehood believe that the impact of this tax can and should be phased in to allow for an orderly transition during a period of approximately 20 years. Existing grants of tax exemption would be honored. Adjustments would be made to existing Federal and Puerto Rican tax laws to provide on a long-term basis the necessary incentives to promote a healthy investment climate. Other policies would be developed to attract and retain business in Puerto Rico. These policies would be geared toward business profitability by addressing such matters as manpower availability and productivity, labor costs, shipping costs, trade relations, export markets, capital and financial availability and energy costs. The added political stability as well as political clout, with two Senators and seven Congressmen, as well as the right to vote for the President, would be important instruments in helping to promote sound economic development for the island in a joint effort of Federal, State, and local governments to strengthen capital investment and capital formation in the island. These economic development policies would be responsive to

the needs of private enterprises and ventures—local, from the U.S. mainland and abroad—willing to participate in our progress.

Finally, it should be noted that while the process of change toward statehood requires the careful development of appropriate economic and fiscal policies, and there is no absolute certainty that such process will be an easy task, the fact is that the economic vulnerability of our current status creates even more difficulties. The economic development of Puerto Rico, to a large degree, has been made hostage to a shaky fiscal policy of Federal tax exemption for profits made by U.S. mainland firms doing business in Puerto Rico. Congress may unilaterally eliminate the benefits of section 936 of the Internal Revenue Code any time. We would oppose such move, but we should not be caught unprepared. We should begin to design the blueprint for a more solid economic development toward the future adjustable to full partnership for Puerto Rico as a State of the Union with the rest of the Nation. This blueprint for the future will signify for us Puerto Ricans greater economic self-sufficiency, the dignity brought about by political equality as citizens of the United States, and respect for our cultural heritage and our identity as a people.●

#### RESCUE ATTEMPT MEMORIAL SATURDAY

HON. ALLEN E. ERTEL

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. ERTEL. Mr. Speaker, the ninth grade civics classes at Central Dauphin East Junior High School have conducted a mock Congress and passed a resolution which I would like to bring to your attention. Under the direction of Mr. Robert McClosky, the civics classes in sections 9-14, 9-6, 9-17, and 9-12 passed a joint resolution proclaiming April 25, 1981, to be "Rescue Attempt Memorial Saturday." I include the text in full here:

*Resolved by the Senate and the House of Representatives of Central Dauphin Junior High School in Congress assembled, That the President of the United States is authorized and requested to issue a proclamation designating April 25, 1981 as "Rescue Attempt Memorial Saturday," and inviting the people of the United States to observe such a day with appropriate ceremonies and to wear and display Red ribbons to commemorate the 90 commandos and especially:*

Marine Cpl. George M. Homes, Jr., Pine Bluff, Arkansas.

Air Force Capt. Richard Bakke, Long Beach, California.

Marine Sgt. John Davis Harvey, Roanoke, Virginia.

Marine S/Sgt. Dewey L. Johnson, Jacksonville, North Carolina.

Air Force Capt. Harold Lewis, Mansfield, Connecticut.

Air Force Sgt. Joel Maye, Bonifay, Florida.

Air Force Capt. Lyn D. McIntosh, Valdosta, Georgia.

Air Force Capt. Charles T. McMillen, Coryton, Tennessee.

who were killed in the line of duty on April 25, 1980 during the rescue mission that attempted to free the 52 Americans held hostage by the Iranian people.

We the below signed "Senators and Representatives" strongly believe in this Resolution.

Mr. Speaker, I want to commend these students for their fine work in drafting a well-written and thoughtful resolution to remember the servicemen killed in the attempt to rescue the 52 former hostages. In light of the recent efforts to celebrate the homecoming of the hostages, we cannot afford to forget those who gave their lives in an attempt to rescue their fellow countrymen. As we determine future policy and action in similar situations, let us all remember that behind the joyous homecoming celebration lies the grim tragedy of the deaths of these men. I hope that all Americans will take a few minutes on April 25 to remember them.●

#### RIVERSIDE CITY COLLEGE

HON. GEORGE E. BROWN, JR.

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. BROWN of California. Mr. Speaker, it is with great pride that I tell you of the 65th anniversary of one of the finest colleges in the 36th District of California. Riverside City College was founded in 1916 and is one of the oldest junior colleges in the State. Its 65th anniversary celebration will take place on March 14, 1981.

The founders of RCC enthusiastically endorsed the idea of junior colleges in our great State and made extensive efforts to define what roles the institution should play. Most of the essential features of the community college were envisioned: Students could receive the first 2 years of university work with no tuition; vocational courses would be offered; there would be part-time students; and older citizens could begin their education.

Through the years, the college has continued to define itself and in so doing has made major contributions to the concept of what a community college is. RCC's impact has not been felt just in Riverside, but across the Nation.

By 1918, the concept of community service was added to the definition of what a community college should do; an idea of A. G. Paul, chief administrator of RCC until 1950. Then, in 1922, H. S. Bliss developed the cooper-

ative plan—a work-study program. RCC was the first college west of the Rockies to offer such a program. A distinguished alumnus of this program was Chester Carlson, the founder of Xerox.

The cultural attractions of the city of Riverside are many, and these have often been initiated and sustained by the people and programs of the college: H. Norman Spohr and the community chorus; Marcella Craft and the Community Opera Association; Rex Brandt and the Riverside Art Association; and Leland Wilcox and the Riverside Community Players.

Between 1955 and 1975—just 20 years—RCC's enrollment increased by 650 percent. Besides this strain on its resources during that time, the college also met successfully the challenge of student activism; the special needs of minority groups; changing matriculation patterns; and special programs for the deaf, another RCC first; the handicapped and for the reentry woman. Two skilled administrators led RCC through this turbulent period, O. W. Noble and Ralph Bradshaw.

RCC has maintained high standards and broad curriculum throughout administrations. In 1916, RCC started with 105 students. It now has an enrollment of more than 14,000, a 28-building campus, and 190 full-time and 350 part-time teachers.

It is clear that RCC has kept close to the dreams and concepts envisioned by its founders in serving the Riverside community. RCC is a premier junior college which deserves high praise for educational excellence and to which we offer our warmest congratulations and deepest appreciation for continued community service on the occasion of its 65th anniversary. ●

#### HEARING SCHEDULE OF THE SUBCOMMITTEE ON EDUCATION, TRAINING AND EMPLOYMENT OF THE VETERANS' AFFAIRS COMMITTEE

**HON. BOB EDGAR**

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. EDGAR. Mr. Speaker, as chairman of the Subcommittee on Education, Training and Employment of the Veterans' Affairs Committee, I am pleased to announce that the subcommittee will be holding a number of hearings on programs coming under the jurisdiction of the subcommittee.

A major bill pending before the subcommittee is H.R. 1400, the Veterans' Educational Assistance Act of 1981, introduced by the distinguished chairman of our committee, Hon. G. V. (SONNY) MONTGOMERY of Mississippi. H.R. 1400 responds to the concerns of many Members of Congress and the

military services about the effectiveness of our Armed Forces and the capability of the military to attract and retain the quality of personnel it needs. H.R. 1400 proposes to provide an educational assistance program to assist the readjustment of members of the Armed Forces after their separation from military service, and to enhance the recruitment and retention of quality personnel for both the active duty and Reserve components of the Armed Forces.

On March 17, 19, 24, and 25, 1981, the subcommittee, therefore, plans to hold four hearings on H.R. 1400 and similar proposals, to be held in the committee hearing room, 334 Cannon House Office Building, beginning at 9 a.m. each day. Among the invited witnesses will be the Secretaries of the services, the Secretary of Transportation, the Veterans' Administration, the Joint Chiefs of Staff, the Commandant of the U.S. Coast Guard, and the chiefs of the Reserves and the National Guard.

On March 31, 1981, the subcommittee will be holding an oversight hearing on education, training and employment programs administered by the Veterans Administration. The hearing will be held in the subcommittee hearing room, 340 Cannon House Office Building, beginning at 8:30 a.m.

On April 2, 1981, the subcommittee will be holding an oversight hearing on veterans' employment, training and preference programs administered by the Department of Labor and the Office of Personnel Management. The hearing will be held in the committee hearing room, 334 Cannon House Office Building beginning at 2 p.m.

Members of Congress and interested persons who desire to testify at these hearings or submit statements for the hearing record should contact Mrs. Arlene Burnett, administrative assistant, at 202-225-3527. ●

#### URBAN DEVELOPMENT ACTION PROGRAM

**HON. PETER W. RODINO, JR.**

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. RODINO. Mr. Speaker, we have now begun our examination of the President's proposals for reductions in Federal spending and taxation, and I think we can all agree that one of our goals should be the increased productivity by American industry that will put people back to work.

Unfortunately, while President Reagan has emphasized the need for Federal incentives to individuals and businesses to reinvest in our economy, his economic plan calls for curtailing one of the most effective programs for spurring business investment in our cities.

The urban development action grant program has been perhaps the most successful Federal program, per dollar spent, for inducing businesses to put dollars back into economically depressed areas.

Mayors from all regions of the country—both Democrats and Republicans—as well as business people, community activists, and ordinary citizens, have praised UDAG's action grants as a way to revitalize failing business districts.

These folks talk with pride and hope about new partnerships between government and industry that have rebuilt factories, reopened businesses, and redeveloped neighborhoods. They also talk about thousands of jobs that have been produced. Many UDAG projects are not completed yet, and the level of government support will mean the difference between their success or failure.

President Reagan says he wants to "integrate" UDAG with community development block grants to provide "a more efficient and flexible grant mechanism." He says he wants to cut the budgets of these two programs by \$584 million in 1982 with progressively deeper cuts the following years. UDAG's 1981 budget was \$675 million.

This proposed consolidation of UDAG and CDBG is less devastating than OMB Director David Stockman's original proposal to eliminate UDAG entirely, but it is still a bad idea.

Integrating UDAG with CDBG would misconstrue the uses of the two programs and take away the unique qualities that make UDAG so effective.

Community development block grants are awarded to thousands of local governments nationwide on a formula, no-strings-attached basis. This is a valuable program—one that helps communities rehabilitate housing facilities, repair roads and sewers, relocate businesses, and provide urban parks. However, these block grants do not require private investment and they do not focus directly on projects that will create permanent jobs in depressed areas.

UDAG, on the other hand, is sharply targeted to those areas most in need of economic assistance. It is not a formula program, but one in which proposed projects compete for Federal dollars on the basis of local commitment by private industry and local governments and citizens. These groups must be willing to invest money and human resources.

While block grants and action grants both help local communities, they serve different purposes and should not be combined. UDAG's record of achievement speaks for itself. In fact, if we decide to reduce the size of Federal programs according to their proven merit, then UDAG should be



in line for an increase instead of a cut. In the 3 years of its existence, UDAG has cost \$1.9 billion. The results have been: \$11.6 billion in private investment in depressed areas; 463,218 jobs, over half of which will be permanent; 46,000 newly constructed or rehabilitated housing units started or completed for moderate and low-income families; and over \$300 million a year in local tax revenues gained from 1,000 locally sponsored projects.

UDAG has worked in my State of New Jersey, where over \$370 million in private investment has been generated by \$70 million in action grants—producing 15,000 jobs.

It also is working in my home city of Newark which has been particularly hardpressed to lure business investors back into the city. Then UDAG projects currently underway in the city have attracted \$53.8 million in private funds. Over 2,000 jobs—more than two-thirds of them permanent—will result; and the city expects to collect an additional \$2.3 million a year in local property taxes from the expanded businesses and industries.

In human terms, these projects mean a new day-care center for working mothers who have wanted to work but had no place to leave their children; a modern office building in the downtown area where a vacant industrial building stood last year; a new shopping center with a much-needed supermarket in an area where no one has previously wanted to invest; hundreds of jobs created by an expanded manufacturing plant in the inner city; and home improvements for over 500 families.

There are other examples in my congressional district; in the city of East Orange a combination of \$500,000 UDAG funds and \$1.5 million in private funds will help 283 families renovate their homes; and in the town of Harrison, 355 permanent jobs are expected to come back to the area after a recently vacated Otis Elevator plant is transformed into a manufacturing, warehouse and office facility with a UDAG loan of \$450,000 and a private investment of \$1.9 million.

These results sound familiar to many cities and towns across our country. Is this really a program that should be curtailed at a time when we want to revitalize local economies?

As we go about the business of finding ways to trim the Federal budget, the Congress should look for creative, sound, and reasonable efforts to make our budget better serve the Nation. This means where there is fat, there must be cuts. Where we have overreached with some programs, we must pull back.

But we must not be panicked or intimidated into thinking that the time for new initiatives has passed. We surely will need new ideas to move our Nation forward.

The UDAG program is a new initiative that works. To eliminate or reduce this program blindly, because of some misdirected fervor for so-called across-the-board budget cuts would be a senseless act of false economy.

It would set back the hopes of millions of Americans to improve their local economies and their lives.●

#### WAR POWERS RESOLUTION AND EL SALVADOR

HON. WILLIAM S. BROOMFIELD

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. BROOMFIELD. Mr. Speaker, as my colleagues know, the Reagan administration, intent upon preventing the success of what it views as a clear case of Communist supported insurgency in El Salvador, last week announced that it was sending 25 U.S. military training personnel to that country in order to help train El Salvadoran forces. These are in addition to 19 such personnel sent to El Salvador by the Carter administration.

Concern has been expressed to me by some of my colleagues as well as some constituents over the applicability of the war powers resolution to this situation. As the ranking Republican on the House Foreign Affairs Committee and its Subcommittee on International Security and Scientific Affairs, which has oversight over the resolution, I have posed certain questions to the Department of State regarding its applicability. The Department's response follows:

#### APPLICATION OF THE WAR POWERS RESOLUTION TO EL SALVADOR

The War Powers Resolution does not apply to the present situation in El Salvador. The Resolution applies only where U.S. military personnel are introduced (1) into hostilities or situations where it is clear that their involvement in hostilities is imminent, or (2) into foreign territory while equipped for combat.

#### HOSTILITIES<sup>1</sup>

The U.S. personnel in El Salvador are not being introduced into hostilities or a situation where their involvement in hostilities is imminent.

The level of hostilities in El Salvador has receded since the insurgent offensive in January, and significant fighting is not presently occurring in the areas to which U.S. military personnel will be sent. To date, there have been no attacks on U.S. military personnel.

These personnel will be stationed either in San Salvador (the capital) or in certain

<sup>1</sup> The meaning of "hostilities" is not entirely clear in the context of a guerrilla insurgency. We would interpret it to apply to any armed confrontation between opposing forces involving an exchange of fire, whether in a conventional or a guerrilla conflict. However, it would not apply to irregular or infrequent violence, such as sporadic terrorist attacks, which happen to occur in a particular area. In any event, we have no reason at present to believe that U.S. military personnel are about to be exposed to attack of either description.

carefully selected regional military garrisons. Special precautions will be taken to provide constant security for their living and working areas.

These personnel will not go on patrol or combat missions with Salvadoran forces, or otherwise be placed in situations where combat is likely. They will not act as combat advisors, but rather will provide training to Salvadoran personnel who come to their training centers.

This situation has been carefully examined by military and foreign service experts who are familiar with current conditions in El Salvador. On the basis of their advice, the Administration has concluded that present circumstances do not indicate an imminent involvement of U.S. personnel in hostilities.

However, this aspect of the situation in El Salvador will be kept under continuing review by the State and Defense Departments. If some change in circumstances should occur in the future which raises the prospect of imminent involvement of these personnel in hostilities, we would of course comply with the requirements of the Resolution.

#### EQUIPPED FOR COMBAT

Section 4(a)(2) of the War Powers Resolution requires a report to Congress within 48 hours after the introduction into foreign territory of U.S. Armed Forces "while equipped for combat" (with some exceptions).

This provision does not apply to the U.S. military personnel who are already in El Salvador or to the additional mobile training teams which are about to be sent to that country.

These personnel will carry only personal sidearms, which they are only authorized to use in their own defense or the defense of other Americans.

It is not unusual for U.S. military personnel abroad in non-combat roles to carry or have access to personal weapons for individual defense (for example, U.S. aircrews), and this has never been regarded as triggering the War Powers Resolution.

A small training team whose members have sidearms would have no meaningful combat capability, and is not a force equipped for combat within the meaning of this section.

#### ACCOMPANYING FOREIGN FORCES

Section 8(c) of the War Powers Resolution states that:

... the term "introduction of United States Armed Forces" includes the assignment of members of such armed forces to command, coordinate, participate in the movement of, or accompany the regular or irregular military forces of any foreign country or government when such military forces are engaged, or there exists an imminent threat that such forces will become engaged, in hostilities.

This Section was designed to make clear that the Resolution applies to individual members of U.S. forces who may enter hostilities as commanders or advisors, as well as U.S. combat units. It was not intended to require a War Powers report any time U.S. military personnel may be involved in training or advising foreign military personnel if there is no imminent involvement of U.S. personnel in hostilities.

In the case of El Salvador, U.S. military personnel will not act as combat advisors, and will not accompany Salvadoran forces in combat, on operational patrols, or in any other situation where combat is likely. For

the purpose of Section 8(c), they will not "command, coordinate, participate in the movement of, or accompany" Salvadoran forces at any time or place where involvement in hostilities is imminent.●

### TOO MUCH CAPITAL FOR HOUSING?

**HON. BENJAMIN S. ROSENTHAL**

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● **Mr. ROSENTHAL.** Mr. Speaker, the Housing and Community Development Act of 1980 (Public Law 96-399) at section 603 expresses the sense of Congress that—

Lending by federally insured lending institutions for the conversion of rental housing to condominium and cooperative housing should be discouraged where there are adverse impacts on housing opportunities of the low and moderate-income and elderly and handicapped tenants involved.

The Subcommittee on Commerce, Consumer, and Monetary Affairs, which I chair, has been monitoring enforcement of this provision in connection with its investigation of Federal activities impacting the conversion issue. I have asked the General Accounting Office to report on what, if anything, the banks and thrift institutions have been doing to discourage lending where the adverse impacts mentioned in the law occur.

In addition to section 603, there are other reasons for banks and thrift institutions to carefully consider loans for certain condo and co-op conversions. In an article in the summer 1980 issue of the *Brookings Bulletin*, the highly regarded housing expert Anthony Downs makes the point that we are providing too much money to finance housing generally. Mr. Downs states:

Much of that money simply inflates the market prices of the existing inventory rather than adding to the total housing supply.

In my view, we are not encouraging investment in new housing or rehabilitation, but instead are encouraging speculative investment in existing housing, and converted condos and co-ops make up an increasing portion of this market.

Mr. Down's article follows:

#### TOO MUCH CAPITAL FOR HOUSING?

High interest rates and the recent curtailment of mortgage credit have cast a shadow over the housing industry. Many people in that industry are dismayed that the United States cannot invest more funds in housing. Their concern is understandable, yet I see evidence that in recent years we have been investing more capital in financing housing than is good for us.

For more than half a decade, our nation has been experiencing a slowdown in productivity growth and recently an absolute decline in productivity. We need to make huge capital investments in energy production, energy conservation, and moderniza-

tion of our industrial plant and equipment to compete in world markets. Yet more American capital flows into mortgages for housing than into any other single use, including business investment or state and local government finance. Moreover, some evidence suggests that much of this capital is diverted into current consumption rather than used to produce additional housing units. So large a use of resources should be neither ignored nor regarded as inevitable. We should be asking: Is our system of financing housing diverting too many resources from other investments that might help counteract declining American productivity?

I emphasize that I have not reached a definite answer to this question. In exploring it with you, I will offer a series of propositions that may stimulate additional thinking.

#### OUR POSTSHELTER SOCIETY

The first proposition grows out of the changing attitude toward housing held by American consumers. Housing is no longer considered merely shelter. Many buyers now view it primarily as an investment that allows them to accumulate capital and to hedge against inflation. As George Sternlieb has put it, we are becoming a "post-shelter" society in which the behavior of homebuyers and homeowners is often dominated by investment considerations.

The pervasive attitude leads many people to invest in more space than they really need and to buy homes at an earlier age than they did just a decade ago. It has also led them to expand the share of their incomes they devote to housing. Surveys conducted by the U.S. League of Savings Associations show that median spending on housing among home purchasers was 24 percent of income in 1979, up from 22 percent in 1977. Since that was the median, many homebuyers are devoting more than the usual 25 percent share of their income to housing.

The second proposition is that housing as an investment offers extraordinary tax advantages compared to any alternative form of investment, such as corporate stocks, bonds, or even direct investment in small business. Yet those alternative investments, especially in small business, provide most of the innovation and new private job creation in our economy.

The attraction of homeownership is increased by the deductibility of interest payments and property taxes from taxable income. But the really stupendous tax advantages of homeownership result from the ability to sell a house without paying capital gains taxes on the proceeds so long as another home is purchased, and to take out \$100,000 in capital gains after the age of fifty-five without paying any tax whatsoever. No other form of investment offers any thing remotely approaching those advantages. Moreover, they induce households to purchase ever more costly homes as time goes by.

#### THE REWARDS OF INFLATION

Influential as tax advantages have been in consumer housing decisions, an even larger consideration in recent years has been inflation. My third proposition is that investment in housing has become far more than a strategy to "keep up" with inflation. In addition to that, inflation magnifies the other benefits of investment in housing.

The clearest advantage lies in the high leveraging that is possible. The investor can borrow 80 percent, or even up to 95 percent, of the initial cost of a house. With so small

a down payment, any significant percentage rise in the price of the whole asset provides a huge return on equity. Take the example of a California home bought in 1976 with 20 percent down. The median price of existing homes sold in California rose at a compound annual rate of 20.9 percent from 1976 to 1980, increasing the initial equity in the typical home by more than 100 percent every year.

For the nation as a whole, the price of existing single-family homes has increased by an average of 12.7 percent each year since 1976. The average house purchased with a 20 percent down payment has thus shown a 63.5 percent annual increase in initial equity. Even after deducting associated costs, the profits resulting from homeownership are remarkable—and totally tax-free.

Consumers are alert to this opportunity. Millions of households have rushed to buy homes, thereby stimulating housing price increases at a rate greater than the overall rate of inflation, at least until last year. Ironically, rising home prices have not curtailed the number of units demanded, as economic theory would predict. Rather, they have increased the number by stimulating greater total demand by people who expect additional price increases.

Inflation also causes the carrying costs or occupancy costs of a housing investment to decline in real terms over time. Debt service usually accounts for well over half the cost of occupying a home. So even if operating costs like utility bills and local taxes rise rapidly, with mortgage payments fixed and household incomes rising, homeowners pay declining real amounts for housing each month—as well as falling percentages of household income. This fact has been obscured by alarmist housing analysts who look only at the first-year costs of occupying a home and draw gloomy conclusions about how few Americans can afford to buy a house. Homebuyers know better; they look at multiyear costs and see that owner-occupancy costs in real terms were falling throughout the 1970s.

A third effect of inflation is to reduce the real after-tax rate of interest paid by borrowers in constantly devalued dollars. Another simplified calculation will make this clear. If a borrower pays 12 percent interest on a mortgage when prices are rising 10 percent a year, the real rate of interest is 1.8 percent before taxes for the first year (1.12 divided by 1.10). The rate falls to minus 2.5 percent after taxes for people in the 40 percent tax bracket. And if the house itself is rising in value at 12.7 percent a year, as it has on the average for the entire nation in recent years, then even the before-tax rate is negative and the after-tax rate is minus 4.8 percent.

These calculations are based on a one-year loan. The results are even more dramatic when compounded over a long-term loan during a period of accelerating inflation such as we have experienced. Most lenders did not anticipate that acceleration. Hence they charged interest rates that were too low from their own point of view and from that of the savers whose deposits supplied much of the money for home loans. The result was that borrowers received large real benefits during the 1970s at the expense of lenders and savers.

Naturally, this situation has discouraged consumers from saving out of current income. They have simply moved their savings under their own roofs, so to speak, by regarding increases in their home equities as savings. After all, they can earn for great-



er rates of return on investments in real estate—if they borrow most of the required money—than they can on savings accounts. They have come to look upon borrowing to purchase housing as the best way to increase their family savings. They believe, as my father used to say, that "what you owe today, you will be worth tomorrow."

Another effect of inflation is that it pushes more people into higher tax brackets, steadily increasing the value of the tax shelters offered by investment in housing. Conversely, inflation penalizes other forms of investment. It harms bonds, for instance, because their fixed interest payments represent a falling real return to bondholders over time. It penalizes corporate equities because of the requirement that depreciating assets be valued at their historic cost for tax purposes rather than at their much higher actual replacement cost. By understating true replacement costs and overstating reported profits, this practice results in excessive corporate taxation that harms investors in stocks. The separate inflation-adjusted accounts now required by the Securities and Exchange Commission show that the real profits of many firms are 40 percent lower than their reported profits. Corporate income taxes in turn are excessive by as much as 20 percent. Thus, the more deeply investors explore the return on housing investment, the better that return looks than the alternatives.

These effects of inflation create a growing social and economic cleavage between families who already own homes and therefore enjoy these benefits, and those who are not yet homeowners or cannot afford to become one. The fraction of buyers purchasing their first home fell from 36 percent in 1977 to only 18 percent in 1979.

#### ARE HOUSING NEEDS EXAGGERATED?

Our current huge investment in housing finance is often justified by references to demographic trends. Its defenders claim that high rates of household formation demonstrate a "need" for more housing. But do people "need" as much housing as they are buying? In 1979, for example, 22 percent of all home purchases were made by single persons. Many bought houses large enough to shelter sizable families—far more space than one person must have for shelter. They bought for investment reasons.

Such behavior was encouraged by the low real capital cost of housing space. Indeed, the very formation of separate households is stimulated by low housing costs. Experience in Eastern European nations with acute housing shortages shows that both the number of households formed and the birthrate are influenced by the cost and availability of housing. The tremendous acceleration of household formation in the United States during the 1970s resulted in part from the availability of housing at low cost (in real terms); it was not a purely demographic factor to which housing markets "had to" accommodate themselves.

The attractiveness of homeownership as an investment inevitably has helped make the construction of new rental units economically unattractive to developers. They cannot charge rents high enough to make new units pay, since people would rather buy than pay rents sufficient to provide a fair return. As a result, rental housing is not being built in most areas in significant quantities. Moreover, existing rental units are being converted into condominiums because people will pay far more to own them than to rent them, thanks to the benefits of homeownership. These outcomes are con-

tributing to rental housing shortages in many markets.

A related issue is the restriction of new housing production by local governments. When those governments respond to intensified housing demand in growth areas by restricting additions to the supply, escalation of the prices of existing housing is inescapable. Higher prices soak up more financial capital and fewer new units are produced than would otherwise be the case. Such restrictions are often imposed in the name of environmental protection; but local officeholders surely know that the restrictions add money to the balance sheets of the homeowners majority of voters in their jurisdictions. In California, for example, the production of new units declined by 21 percent in 1979 from the peak it had reached two years earlier; this stimulated a rapid increase in the median price of existing units, which rose 29 percent from February 1979 to February 1980 alone and represented a gain of about \$22,000 per home.

It may seem inconsistent to criticize local governments for restricting new home construction when I have just argued that current estimates of housing needs may be exaggerated. Yet many parts of the United States have urgent needs for more housing units, especially fast-growing areas experiencing heavy net in-migration. Precisely those areas tend to place the most restrictions on new homebuilding.

It is not that the United States is building too much housing. We undoubtedly will need a great many more new housing units in the next two decades. The point is that we are providing too much money to finance housing. Much of that money simply inflates the market prices of the existing inventory rather than adding to the total housing supply. Restrictions placed on new development by local governments tend to worsen the problem.

#### HOUSING'S SHARE OF CAPITAL

The fraction of all capital raised by non-financial sectors of the American economy that went into home mortgages averaged 16 percent between 1966 and 1971. It rose sharply in the 1970s, reaching 28.5 percent by 1977. An equally high level of housing investment prevailed from 1950 to 1965, when it averaged 28.1 percent. But that was a period when the nation was catching up after twenty years of depressed new home construction in the 1930s and during and right after World War II. We are not under similar pressures of long-deferred demand today, yet we are directing our national resources as though we were.

Total mortgage financing has risen sharply each year in relation to the total cost of building new housing. The annual ratio of all residential mortgage lending to the total cost of new housing put in place rose from 66.5 percent in the 1950s, to 89.3 percent in the 1960s, to 108 percent in the first half of the 1970s, and to 144.9 percent from 1975 to 1978. Although some of this remarkable increase reflected lower down payment requirements for new homes, most of it resulted from greater refinancing of the existing inventory. The influx of capital inflated the value of the existing housing supply without adding to true wealth or to productivity.

The annual rate of home-purchase transactions has been rising as well, as more households seek the benefits of ownership or realize their capital gains. In the 1960s, about 1.7 new or existing homes were sold each year for every new household formed. In the last half of the 1970s, that ratio rose to 2.3 to 1. In addition, from 1968 to 1979

the median sale price of existing homes rose at a compound annual rate of 9.7 percent compared to 8.9 percent for new homes. The consumer price index rose at a rate of 6.9 percent during that period, which means that the prices of existing homes rose 41 percent faster than prices generally.

An important part of these price increases has been diverted into consumption by householders who take out some of their equity when selling and buying. The U.S. League's study in 1979 showed that typical repurchasers received \$30,877 in equity from houses they sold last year, but took 34 percent of that equity out of housing when they bought another home. In fact, more than 80 percent of the people who sold homes last year did not use all the proceeds for reinvestment in another home. Much of this "diverted" profit probably was used for personal consumption of various kinds. Such behavior is perfectly acceptable from the viewpoint of the individual household, but the net result has been a significant movement of funds seemingly used to finance housing into the financing of other things.

#### POLICY IMPLICATIONS

So much for the evidence that we may be investing too much capital in housing. Because of the way our institutions work, much of that investment has gone into raising the price of existing houses rather than expanding the housing stock to meet valid needs. My intention is to suggest the validity of that hypothesis, not to affirm it conclusively. Yet the evidence is persuasive enough to warrant consideration of possible policy responses. The trends we have witnessed in the last decade are by no means irreversible.

It seems clear that we ought to reduce the relative tax advantages of investment in housing as against other forms of investment. I hasten to affirm that homeownership is a desirable social goal and should be encouraged by financial incentives, including some tax benefits. But I also believe that the present overwhelming tax advantages of buying housing compared to other possible uses of capital impart too strong a bias to household choices. Those relative advantages could be reduced either by decreasing the benefits attached to housing or by extending greater advantages to other kinds of investment, such as personal savings accounts and corporate stocks. The latter course would be politically easier, since 65 percent of all householders are homeowners.

Another possibility would be to direct more mortgage funding into financing new construction and rehabilitation, and less into inflating the values of existing homes without improving them. Pumping up the prices of existing homes by pouring capital into housing finance while allowing local governments to restrict the construction of new housing as much as they wish, as happens in parts of California, appears to be a wasteful national policy. It diverts housing finance into general consumption when the nation needs higher levels of investment to improve productivity and reduce our dependence on imported sources of energy. The power of local governments to block the construction of additional housing—especially lower-cost housing—should be closely scrutinized.

Lastly, the real cost of borrowing capital to finance housing should be increased, preferably by paying savers higher rates of interest to reward them for saving. The

shift by savings and loan associations to rollover or renegotiable-rate mortgages is a move in this direction. If future savers do not receive a greater share of real rewards from the housing investments they finance than they have in recent years, many will save less out of their current incomes. This is shown by the decline in the savings rate in the past year or so to about one-half the rate of similar points in previous business cycles. A lasting decline in savings would greatly reduce the borrowing that has made housing purchases so profitable. After all, not everyone can be a borrower; someone must defer immediate consumption by saving or no borrowing will be possible. Hence, raising the real cost of capital for housing—and thus the real return on savings—is not just a means of reducing the flow of resources into housing. Rather, it is an essential means of ensuring that an adequate flow will exist in the future. ●

## POST-TRAUMATIC STRESS DISORDER

HON. DON EDWARDS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. EDWARDS of California. Mr. Speaker, the March 1981 issue of the American Legion contains an excellent article entitled "The Wounds That Would Not Heal."

The article, written by Dr. Arthur S. Blank, Jr., describes the problems of "post-traumatic stress disorder" which have been encountered by a significant number of Vietnam era veterans. In exploring the reasons for this disorder, the article also explains why the Veterans' Administration's Operation Outreach was created, and why this program has been able to assist these veterans in overcoming their delayed stress problems.

Unfortunately, what the author does not point out, is that most Vietnam veterans will lose their eligibility for this vital program this fall, unless the Congress acts to extend their eligibility. I have introduced legislation, H.R. 747, to extend the eligibility of these veterans for counseling under Operation Outreach for 3 more years, until September 30, 1984.

I hope that after reading this outstanding essay, my colleagues will agree that Operation Outreach needs to be continued. I would certainly welcome the cosponsorship of my colleagues on H.R. 747.

The article follows:

### THE WOUNDS THAT WOULD NOT HEAL

(By Arthur S. Blank, Jr., M.D.)

"He jests at scars, that never felt a wound."—Shakespeare.

Military psychiatrists in Vietnam during the war, including this writer, were cheerfully reassuring about the psychological effects of the war on troops. In our reports and in the press, the word went out that—in contrast to WWII—psychiatric casualties were rare, thanks to the limited 12-month tour, the off-and-on nature of the combat,

and new treatment methods refined during the Korean War. In fact, evacuations and hospitalizations for psychiatric reasons did remain low throughout the war.

But as early as 1970, a group of psychiatrists and psychologists led by Chaim Shatan M.D. and Robert J. Lifton M.D. in New York, first began to report important and persisting emotional stress in veterans who had successfully completed tours in Vietnam and had had no psychiatric treatment.

From that time 10 years ago, through the final painful years of the war and the return to America of the 3.5 to 4 million men and women who served in Vietnam during our longest war, through the shock of defeat and withdrawal, through our nation's effort to forget the war and the deep divisions and mistrust which it created—slowly through this past decade—our citizens and government have recognized that a substantial minority of Vietnam veterans have been deeply wounded psychologically by what happened to them in Indochina. And now, in recent months, we have finally moved to confront and deal with this major public health problem.

The best available research to date reveals that about 20 percent, or somewhere around 700,000 veterans of Vietnam, are to this day markedly impaired by the after effects of their war experiences. Many of them can be said to be suffering from "post-traumatic stress disorder."

What is this psychological condition? For most of these veterans, the core symptoms are the same as those which were felt by thousands of veterans of WWII and Korea, especially combat veterans: nightmares, depression, anxiety and fear, trouble restarting peacetime living, flashbacks and feelings of detachment from others. For some individuals, there have been other manifestations of the psychological stress disorder: alcohol or drug abuse, physical conditions such as chronic headache, low back problems or ulcers. Both the acute, short-term form, and the long-lasting or "delayed" form of this syndrome have occurred in veterans of previous wars—perhaps all wars.

All warriors know the horror, the suffering, the grief of losing buddies, the profound fear and tension of daily living with death, the miserable living conditions and the extremes of human existence which happen in war. There is great heroism, humor, loyalty and friendship—along with great hatred, brutality, sadism and pain—much of which lies forever beyond the imagination of those who have been spared the experience of war.

And so, Vietnam veterans share the wounds and scars of war with their fathers and uncles and friends who are veterans of previous wars.

Again in the case of Vietnam, we have to ask why the emotional wounds of perhaps 80 percent of those veterans healed? Many reasons, perhaps. Maybe it's been a basic flexibility of spirit, or special postwar help and attention from family and friends who have been able to aid the veteran in getting over the war experience. Or perhaps it's just been the ability to forget—to shut it out and keep it out and go on with normal living—an ability which some seem to have more than others.

But what happened to the others? What happened to those who, 10, 12, 14 years later, are still suffering from frequent nightmares, or are irritable every day with their children and troubled by the intense—too intense—anger which the child's natural

cantankerousness brings up? Others have been stuck now for years in a dulling depression which takes the joy out of life, and takes the advancement out of their careers. Some suffer from sleep disturbances, difficulties in concentrating or other limitations on their capacity for work.

For some this has resulted in an endless cycle of unemployment; for others, repeated divorce; and for still others, years spent lost in alcoholism which could never be successfully treated because its roots in the war were never recognized.

Through the 1970s, the families and friends of these veterans, a few mental health professionals and a few government officials knew about the psychological wounds which would not heal. But either because our feelings about the Vietnam War itself were still so intense, or because we hoped that with time the problems would go away, our society was not able to take action about the situation.

That has changed, and in Operation Outreach of the VA and the Vietnam Veterans Outreach Project of the DAV, the nation is not only beginning to address the treatment needs of troubled vets, but we are beginning to pin down very clearly what factors have made the Vietnam War haunt the lives of some veterans and their families for so long.

First of all, as I heard expressed so eloquently in testimony in a courtroom a few weeks ago by a retired general officer—a man who had been a battalion commander in both the Korean War and in Vietnam—the war in Vietnam was different. There are some things about a guerrilla war, as opposed to a conventional war, which simply cause a number of people to come unglued inside—unglued in a way that lasts and is very difficult to get over.

For many of us the deepest cut ultimately came from the atmosphere of terrorism which permeated the entire war zone. There was no safe ground and there were no safe people. Every Vietnamese person—man, woman and child, young and old—was potentially the enemy. Babies really were booby-trapped, and youngsters really did toss grenades into one's jeep. GIs worked, lived and even fought for months with Vietnamese who turned out to be working for the other side. All base camps, cities, towns, airstrips and installations established throughout the country were attacked at some time or other during the 11 years of war. Attacked also, of course, were units in the field proper and troops in "normal" combat situations. It was all a combat zone, the whole way through.

For those who were not in Vietnam, it is easy to dismiss this pervasive and penetrating terrorizing atmosphere—and its psychological consequences—as exaggeration. But the features of guerrilla terrorism were added to the mental challenge of combat experiences and have produced in some veterans an especially painful, deep and abiding kind of paranoid fear which we are now beginning to learn to recognize and treat.

It has also now become clear that uncertainty about the rightness or wrongness of the war itself has, for some veterans, been a major factor in producing lasting psychological disability. Now that passionate attitudes for and against the war have somewhat cooled, we have begun to see that some veterans remain sorely troubled by the nature of the Vietnam War, and that these difficulties go beyond political differences. That is, many veterans with stress syndromes have—as part of their problems—a relentless despair that in a war which they



believe to have been just and honorable, they and their comrades were not permitted to fight to win.

On the other hand, some veterans who believe that the war was wrong from the outset and an unjustified interference in the affairs of the Vietnamese, share the same kinds of despair, pain and bitterness as part of their symptoms.

Thus, our regular experience in rap groups now is that the political disagreements, though still real and important, can be transcended in the search for a common healing outcome.

A third major factor which has caused the perpetuation of stress syndrome in Vietnam veterans came about when the veteran returned home. Many veterans came home to friends, family and community who lacked the capacities to help in the emotional debriefing process which all war veterans need to some extent.

Because of the seemingly endless exposure to the war on television, or the deep divisions which came into our society over the war, or because so much of the civilian population was discouraged by the fact that so little was accomplished and so much lost, many people to whom the veteran returned could not stand to hear any more about Vietnam. By the end, at least as many people opposed the war as supported it. Many Americans were, or still are, sad and regretful about what happened in Vietnam: the pro-war folks because we did not win, and the anti-war folks because we were there at all. They have had their own wounds to heal, with not much left over with which to help the veteran work it out.

I must most emphatically add that many psychologists, psychiatrists and other counselors—with a few exceptions—have, until very recently, not been able to help those Vietnam veterans who needed to talk out the war. These professionals, too, have not been able to face it.

The hitch has been that for most Vietnam veterans with a stress syndrome, a true recovery has to include revisiting and re-experiencing, to some extent, the events which were lived through in Indochina. They must be remembered before they can be forgotten, sometimes in painstaking detail.

That need for talking it out will be instantly recognized by many veterans of other wars. It is part of the normal recovery process. Since the mental health field has had such a hard time providing the context for that, the Outreach Centers have been created as places where Vietnam veterans, their families, friends and other veterans can honestly—and with feelings—bring the buried past into the present and make it a constructive part of the future.

The core of the psychological difficulties which some Vietnam vets are now struggling to recover from is the same as in veterans from other wars. The trauma of combat, the encounters with death, horror, mutilation and suffering were the same. Some veterans of WWII and Korea to this day are fighting the same struggle.

In fact, it is our hope that through the concentrated attention which we professionals, community workers, Vietnam veterans and friends are now directing toward stress disorder in Vietnam veterans, we shall inspire the Veterans Administration and the nation at large to a deeper understanding of the problems, strengths and wisdom of all veterans of war, and to a more sensitive appreciation of the ways in which returned warriors can fully contribute to a happier and more peaceful society.●

## EXTENSIONS OF REMARKS

EULOGY OF MSGR. D. JOSEPH CORBETT: MINISTRY OF LEADERSHIP AND SERVICE TO ALL

HON. CLEMENT J. ZABLOCKI

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. ZABLOCKI. Mr. Speaker, upon the passing away of Rev. Msgr. D. Joseph Corbett on February 19, 1981, my fellow parishoners at the Shrine of the Blessed Sacrament Catholic Church—as well as the entire Christian community of Washington—lost a beloved pastor and inspirational religious leader.

In his 30 years as a priest of the Washington Archdiocese, Monsignor Corbett served as pastor in three different parishes; director of the Confraternity of Christian Doctrine; secretary to Cardinal O'Boyle; rector of the Archdiocese of Washington Preparatory Seminary; and elected member of the archdiocese's priests' senate.

Reflecting recognition of Monsignor Corbett's lifetime ministry of service to the people of Washington, an overflow congregation of fellow priests and sisters, relatives, friends, and Blessed Sacrament parishoners attended his Mass of Christian Burial on February 23. With Cardinal Patrick A. O'Boyle in attendance, and joined by Bishop Thomas W. Lyons and Bishop Eugene A. Marino, the Archbishop of Washington, James A. Hickey, celebrated the mass at Blessed Sacrament.

In his eulogy, Fr. James Lockman, acting administrator at Blessed Sacrament, noted the positive influence that Monsignor Corbett had on countless people, including and especially the parishoners of Blessed Sacrament Parish:

Though countless the achievements of Msgr. Corbett, none surpasses the dedicated, personal, and humble way in which he gave of himself to all whom he knew, loved and served. With relentless dedication he committed himself to the spirit and vision given to the Church through the Second Vatican Council and he shared this mission together with all those to whom he ministered.

Monsignor Corbett's impact on the many people he so ably served included the future of our country—our youth. This was most poignantly reflected by an 8-year-old parishoner who, at Monsignor Corbett's funeral mass, observed to her father: "Daddy, I have lost a friend."

The wellspring of Monsignor Corbett's strength and hope is best reflected in one of his favorite psalms which he had written in his personal breviary and prayed daily:

You, Oh Lord, are my lamp,  
My God who lightens my darkness  
With you I can break any barrier,  
And with my God I can scale any wall.—(Ps. 18: 30.)

In extending consolation to Monsignor Corbett's family, including and especially his mother, Mrs. Johanna Corbett, the Blessed Sacrament Parish community joins me in recognition and appreciation that Monsignor Corbett reached out to all with the message: "Blessed are the poor in spirit for the Kingdom of God is theirs".●

## CHILD WELFARE AND ADOPTION

HON. SHIRLEY CHISHOLM

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mrs. CHISHOLM. Mr. Speaker, the Children's Defense Fund (CDF) has worked over a decade to improve the lot of the poor, homeless, and handicapped children and their families. It is the feeling of this group that the poor and their children stand to lose much if the President's proposed budget cuts are approved.

In response to what it calls the Stockman plan, CDF has prepared "A Children's Defense Budget: A Response to President Reagan's Black Book."

Following is the first chapter of the document, entitled "Child Welfare and Adoption."

### CHILD WELFARE AND ADOPTION

WHAT IS THE ADOPTION ASSISTANCE AND CHILD WELFARE ACT OF 1980?

The Adoption Assistance and Child Welfare Act of 1980 (Public Law 96-272) passed the House by a vote of 401 to 2 after years of effort. It seeks to provide the federal leadership needed to produce long overdue reforms in the child welfare system which has encouraged family break-up and long term, expensive out-of-home care for children. The new law attempts to redirect federal fiscal incentives and encourage states to keep families together, get children out of the limbo of foster care and into permanent families through return home or adoption.<sup>1</sup>

The reforms uniquely link federal increases in a state's funding for child welfare, foster care, and adoption services to the efforts the state makes to reform anti-family procedures and ensure that:

Children enter care only when necessary.

Children who must enter care are placed in the most appropriate family-like setting.

Children's placements are reviewed periodically to prevent them from staying in care any longer than needed and protect them from getting lost in the foster care system.

Children are returned home or provided with new permanent families in a timely fashion.

The act also provides federal reimbursement to states for subsidies to assist with the adoption of children with special needs (such as mental, physical, or emotional handicaps).

<sup>1</sup> These reforms revise the Title IV-B Child Welfare Services program, and combine the federal Foster Care program and new Adoption Assistance program in the Title IV-E program.

# WHO BENEFITS FROM THE ADOPTION ASSISTANCE AND CHILD WELFARE ACT?

The act brings desperately needed help to the over half million homeless children adrift in this country and the thousands more who enter foster care each month. Many of these children have been needlessly wrenched from their families and left to linger in costly facilities that range from foster family homes to large child care institutions.

Many of these children have special needs stemming from physical, mental, or emotional handicaps; some are victims of parental abuse and neglect; others have been involved with the juvenile court. Approximately 60 percent of these children are white. Over 40 percent are preadolescents and adolescents. Fewer than 30 percent come from AFDC families.

In many states these children remain in care an average of five years, moving from foster home to foster home or institution to institution. They are neither returned home nor provided with new permanent families through adoption. Often, they are cruelly forgotten or written off as lost causes.

Terri and Cindy are just two of these homeless children:

Terri is an alert, warm, engaging eight-year-old who is beginning to show signs of learning difficulties and aggressiveness. Terri is entering her third school and her fourth foster home in four years. She has not seen her own parents in four years but no one is making plans for her to ensure she has a permanent family.

Cindy is a seven-year-old retarded child whose mother made numerous unsuccessful attempts to enroll her in the public school system in the southern rural community where they live. Cindy could already do many things for herself. Yet the school system argued it had no services for her, offered no alternatives, and told her mother to keep Cindy at home. Cindy and her mother were receiving public assistance but the local welfare officials did nothing to help Cindy's mother insist the schools provide an appropriate education. Instead, they wanted to place Cindy in a state institution for the mentally retarded. When Cindy's mother refused, the local department formally charged her with neglect. The Court upheld the charge and ordered that Cindy be placed in the state institution.

These children and thousands of others like them are victims of state and local child welfare systems across the country—the very systems the Reagan Administration currently proposes to give total responsibility for the children to without any procedural protections.

## WHAT IMPACT WILL THE CURRENT REAGAN ADMINISTRATION PROPOSAL HAVE?

The Administration's current proposal cuts the Adoption Assistance and Child Welfare Act of all its procedural reforms and fiscal incentives by placing it in a block grant, the Social/Community Services and Health Program Consolidation, with over 30 other programs and by reducing their combined budgets by 20 percent from fiscal year 1981 levels. In fact, states are free to eliminate the child welfare and adoption programs altogether. The federal leadership anticipated by the act and necessary to stop state neglect and abuse of children and families would be undermined as a result.

Homeless children will get lost. Thousands of our country's most vulnerable children will continue to get lost in the foster care system because procedures—such as information systems, case plans, and case

review systems—to identify the most needy children will no longer be required under the consolidation proposal.

Children will continue to languish in foster and institutional care. The lack of federal leadership and revised fiscal incentives will mean business as usual at the state and local level. Funds will continue to be spent for costly out-of-home care because it is an easier and more familiar course for child welfare workers. Without incentives to develop service programs that specifically keep families together or reunite them, states are not apt to use dollars for the up-front costs of implementing these programs. And the long range cost-savings which result from the creation of preventive services will be lost. States will continue to deny permanent adoptive families to children (particularly those with severe handicaps who have been lingering in the foster care system for years) unless they are required to use federal dollars specifically for adoption assistance payments on these children's behalves.

The truly needy will be hurt. The majority of children who come into contact with the child welfare system come from poor families. These poor families are at risk of the greatest harm—removal of their children, sometimes permanently—when no alternatives to foster care are available. Indeed, homeless children are America's most vulnerable and "truly needy" group of children.

Taxpayers' money will continue to be misused. Homeless children cannot argue for their fair share of a block grant. Often their parents are not in a position to organize and advocate on their behalf. And individual caretakers and other professionals responsible for their care are constrained by the larger social services system of which they are a part. Thus, money meant to help homeless children and children threatened with removal from their families will likely be absorbed by existing programs, such as the presently underfunded Title XX Social Services program. Funds will not go toward the creation of preventive and reunification services and adoption subsidies as intended. Some children will remain in institutions at a cost of taxpayers of up to \$36,000 per child per year. To date the vast majority of federal dollars for child welfare have been used to finance the high cost of this bed and board care.

If implemented as enacted, the Department of Health and Human Services estimates that the Adoption Assistance and Child Welfare Act will save over \$4 billion in out-of-home care costs over the next five years. It will reduce the average number of children in care by 30 percent. These reductions will never be realized if the Act is gutted.

The Reagan Administration proclaims budgetary wisdom but ignores findings proving that public dollars used to keep families together now are more cost-effective in the long run than placing children in care.

In 1977 the state of Washington passed legislation mandating crisis intervention services for "families in severe conflict." About 40 percent of these services were delivered to the entire family in their own home. Washington state officials say that the legislation and an increased emphasis on finding permanent homes for children saved the state about \$2 million in a six-month period alone.

Between October 1975 and November 1978 the State of Iowa's Department of Social Service ran, within a seven-county district, a

group of preventive services for children already dispositioned to be placed in institutions. The services were delivered to families in their own homes. The department estimated their savings from these programs at \$1,354,211.

## THE REAGAN ADMINISTRATION'S CURRENT PROPOSAL IS ANTI-FAMILY

It deliberately undermines a law designed to strengthen families which Congress enacted only last year. It doesn't even give the act a chance to work after hundreds of hours have been spent designing it so that it will. The hopes raised for families and children less than eight months ago, when the Adoption Assistance and Child Welfare Act was enacted, will be ruthlessly crushed now that these same families are told that a targeted investment on their behalves is not a "wise" investment.

The Reagan Administration's proposal makes no similar attempt to preserve families. In fact, when coupled with the effects of other current administration proposals to cut back food stamps, Aid to Families with Dependent Children, and Medicaid, the stability of more and more families will be threatened. It makes no sense in any terms—particularly not fiscal ones—when we all recognize the extreme pressures facing families today. And it resigns to oblivion the greater and greater number of children who will enter the limbo of foster care without any way of fighting back.●

## MASS TRANSIT MUST NOT BE IGNORED

HON. RICHARD L. OTTINGER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. OTTINGER. Mr. Speaker, on February 17, the Subcommittee on Commerce, Transportation, and Tourism held a hearing in New York City on commuter rail service provided by Conrail in the Northeast. The hearing focused on whether Conrail should continue to operate commuter service and, if not, what alternative arrangements are feasible. The hearing in New York is one of a series which the subcommittee is conducting on commuter service in the Northeast.

I have addressed this body on many occasions raising my concerns about the future of mass transit in this country and the need for increased Federal commitment to maintaining and expanding our public transportation network. Such an investment means jobs, increased mobility for all Americans, improved quality of the environment, a healthier economy, and energy conservation. Without this investment, we will continue to suffer from more traffic congestion, pollution, economic stagnation and will pay a horrendous price in increased dependence on imported oil.

My testimony at the February 17 hearings highlighted the problems confronting the commuter rail lines which serve Westchester County, N.Y. These problems are indicative of those



which plague many public transportation systems across the country which are faced with shrinking budgets and increased ridership. I urge my colleagues to study, understand, and address the complex problems facing the mass transit industry and to support solutions which foster well-being and growth in this critical industry—an industry which is the lifeblood of our economy.

STATEMENT OF HON. RICHARD L. OTTINGER  
BEFORE THE SUBCOMMITTEE ON COMMERCE,  
TRANSPORTATION, AND TOURISM—FEBRUARY  
17, 1981

Mr. Chairman, I appreciate this opportunity to participate in the Subcommittee's examination of Conrail commuter rail service in the Northeast and whether Conrail should continue to operate commuter service.

I represent Westchester County, New York. One hundred and sixty-six thousand of my constituents travel the 224-mile Conrail Hudson, Harlem and New Haven lines each day. Commuter rail service is vital both to the economic health of my communities and New York City and also plays an important role in saving oil, reducing traffic congestion, and holding down pollution in the metropolitan area.

The present organization of commuter rail management is a nightmare with a dozen entities having a role in policy and funding of the service including not just the Metropolitan Transportation Authority (MTA) and Conrail but also the Urban Mass Transportation Administration (UMTA), Federal Railroad Administration (FRA), National Transportation Safety Board, the New York and Connecticut Departments of Transportation, and the County Department of Transportation. Financial, management, equipment acquisition, and heavy maintenance responsibilities for our commuter rail system rest with the MTA. The MTA contracts with Conrail to operate the commuter rail service on the Harlem and Hudson lines. Conrail has a joint agreement with the MTA and Connecticut Department of Transportation for service to commuters on the New Haven line. Although it contracts with Conrail for operating services, MTA cannot directly assess penalties against Conrail for substandard performance nor does MTA have any direct authority over Conrail personnel—and it has failed to provide any such authority in its contracts.

Commuter rail service in Westchester County is atrocious and we are literally a gasp away from total disaster. The system is ready to collapse. As MTA Chairman Richard Ravitch told a State Assembly panel several weeks ago, things have deteriorated to a point that "a state of emergency" now exists.

Between November 7 and December 5 of last year, there were six accidents on the MTA/Conrail lines. The November 7 head-on collision at Dobbs Ferry injured 100 people and an accident on December 5 killed 2 Conrail workers. On a daily basis, commuters are faced with serious overcrowding and inadequate ventilation, heating and air conditioning. On Monday, December 29, 1980, for example, the Harlem and Hudson lines were lacking 27 cars on the normal morning rush trains. Last summer, conditions on the commuter rail lines were so horrendous that literally hundreds of my constituents contacted me sharing tales of horror and begging for relief. In one letter

which I received a commuter detailed his experiences noting that, "In the fourteen years that I have been riding the commuter trains into New York City, conditions never have been worse than in recent months on the Harlem Division." He went on to recount what had become a "fairly typical" daily rail trip. He commented:

"On the morning of June 16, there were only half the normal complement of cars, which resulted in severe crowding for what has become the usual complement of standees. There are no straps for standees in the cars and passengers, including many elderly persons and women, were badly jostled. In the evening, my train had a breakdown at the Mount Vernon station and the undercarriage on my car caught fire and became enveloped in the billowing smoke. There was panic in the car, but, fortunately, the doors were open and the passengers were able to escape."

He went on to state that, "You should know that I am not complaining here about the many cars in which the air conditioning does not work or suffer lighting failures or about well-intentioned trainmen who are too embarrassed or unable to collect tickets in overcrowded cars."

Mr. Chairman, the situation is so critical that I can say in all seriousness and candor that we should consider tacking warning signs to the cars of the commuter trains reading, "Caution: Conrail is hazardous to your health." Today, I am writing to Secretary of Transportation Drew Lewis requesting FRA to send an Emergency Safety Inspection Team to examine the MTA/Conrail equipment, track, and maintenance/inspection procedures. I have been advised that such a team performed a similar function on the Louisville/Nashville line resulting in a 40 percent reduction of train accidents in one year.

There have been many proposals for reorganizing the Conrail commuter operation ranging from creating a new public authority to run the commuter rail system, to transferring the responsibility of the commuter system to Amtrak, to granting MTA full authority for the management and operation of the rail lines. I have intentionally not endorsed any of these proposals because of my reluctance to focus attention away from the really critical problem with the system—years and years of inadequate funding and bad management resulting in the use of obsolete equipment and deferral of adequate maintenance resulting in safety and health hazards.

I am certainly not opposed to changing the current structure of the Conrail commuter operations in Westchester; however, I want to make sure that any change is not just a cosmetic one and we are not merely "reshuffling the deck chairs on the Titanic." As one observer noted, we want to make certain that we are not just offering a "fresh target for the frustrated commuter." Prior to my endorsing one plan or another I must be convinced that there is some assurance of good management, adequate funding, and that appropriate labor and management questions have been addressed.

We must also recognize that at long last MTA has an able chairman who takes improvement of commuter rail service seriously and is addressing himself creatively to analysis of the problems and proposal of reasonable solutions. Also, Conrail has appointed Joseph Spreng, a very knowledgeable and capable manager, to run the service. It would be a mistake to promote organizational change for its own sake, ignoring

the difficulty of getting this kind of experienced and able top management. Care must also be exercised to assure that any new entity would have access to federal funds equal to that MTA now enjoys and would inherit its UMTA commitment.

I am aware that the United States Railway Association is studying Conrail commuter passenger services and expects to issue a report in April. It was noted in USRA's December 1980 report entitled, "Federal Funding of Conrail: Rail Service Objectives and Economic Realities," that Conrail should not be the vehicle through which the responsible agencies obtain their commuter rail service if any reasonable alternative is available." The report goes on to say that Conrail's commuter operations divert management attention away from the primary freight objective of the railroad and further, the frequent delays in subsidy payments and inadequacy of such payments impose a financial burden on the system. The report seems to indicate that the divestiture by Conrail of its commuter operations may be fast approaching.

With probable reorganization in store for the future, I suggest that a regional task force be created to study the alternatives to the current system for providing commuter rail service. In the case of the MTA/Conrail system, I suggest that representatives of the federal, state and local governments, the MTA, Conrail, and most importantly commuter representatives participate in such a task force. Over the years, I have convened a similar group of people on a frequent but ad hoc basis to address the Conrail commuter rail issues. This coordinated approach has been successful and I would like to see it elevated to a more formal structure so that commuters are assured that the best and least disruptive solution to the problem is adopted.

Capital funding to overcome the years of neglect of the system will be an essential element of any solution, as well as adequate operating revenues.

Mass transit advocates fought hard during the last session of Congress to enact legislation which would have changed the formula for allocating operating and capital assistance to urbanized areas. The formula change to the Section 5 UMTA program would have based the distribution of funds on service-based factors rather than solely on the basis of population. Had this change been enacted, the MTA system, which carries 35% of the nation's transit riders and collects 40 percent of the national fare box intake, would have received double the amount of operating assistance within 5 years—from \$207.9 million to \$404.7 million. We must continue working for this critical formula change.

We are hearing rumors that the Reagan Administration wants to cut mass transit aid. I will fight hard to at least maintain current capital and operating funding levels. Should these critical funds be slashed, all other potential ways of raising capital for the system must be explored. We must be creative in devising and supporting alternative methods of financing.

MTA Chairman Richard Ravitch has identified a list of options for new sources of funding to meet the \$14 billion which MTA has identified as necessary for capital revitalization for the system for the next decade. (Mr. Ravitch has identified \$1.33 billion in capital funds as required over a ten-year period to restore the MTA portion of Conrail to "a state of good repair.") Several of the Ravitch proposals are particular-

ly innovative and deserve your subcommittee's careful examination.

One of these is to amend federal law to permit the Secretary of Transportation to enter into contracts with public agencies like MTA to provide funding commitments over several years rather than waiting year by year for appropriations to come forth from Congress. This change would give MTA the ability to borrow substantial amounts of capital backed by those contracts. I strongly support this change.

Another mechanism proposed originally by Assemblyman Peter Sullivan of Westchester is "leveraged lease financing." Under this system, investors (which could include local communities with substantial commuter populations and even groups of commuters), would use federal tax shelters and benefits to acquire equipment, improve the equipment if necessary, and lease the equipment to a public carrier like the MTA. This is a fascinating way in which private capital might be tapped. To be successful, it might require some form of federal assistance or guarantees. It certainly merits careful consideration, especially if public funds are to be limited.

Finally, Mr. Ravitch has suggested reducing depreciable life of the cars to seven years for tax purposes as compared to current law which allows private owners to depreciate the cars over a 12-year life.

With regard to the safety issue, I am drafting legislation to address the safety problems which exist on the MTA/Conrail lines. I support decreasing the required maximum interval between detailed, general periodic inspections of locomotives/cars from the current 92 days back to 30 days at least with respect to lines like ours with bad accident and maintenance records. A required public report must be submitted to FRA after each inspection rather than just the annual submission presently required. Further, equipment inspection must not be limited to locomotives and the brakes, electrical devices, automatic controls, alarms and protective devices of the cars, but must also address health standards and should include a mandatory inspection of ventilation, air conditioning and heating systems and the condition of signals and the electric generating equipment. Federal safety-related regulations must also address employee training in the railroad industry including evacuation procedures, working with equipment under an emergency situation, shutdown and restoration of third rail power, intake and exhaust operation of emergency ventilation fans and dampers, on scene coordination with fire services, communication with passengers and first aid measures including CPR training.

In closing, there are no simple answers to the crisis which faces us. It is clear that all levels of government must become involved in devising a solution to the commuter rail problem and that in addition to its obvious financial role, the federal government must also become more actively involved in addressing the safety and management issues confronting the system. I applaud this subcommittee and its chairman, Mr. Florio, for scheduling these hearings and look forward to working closely with you in an effort to provide commuters with the kind of service which they are demanding and which they deserve. Thank you. ●

## MAKING A KILLING IN CATTLE FUTURES

HON. NEAL SMITH

OF IOWA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 4, 1981

● Mr. SMITH of Iowa. Mr. Speaker, during my tenure as chairman of the House Small Business Committee in the 95th and 96th Congresses, the committee, particularly the subcommittee I was privileged to chair, conducted a study and investigation of the marketing of meat and other commodities.

Last fall, I instructed the committee's staff to examine trading in live cattle futures, and report to me the results. This report was given to me last week and at a press conference I held last Friday and I revealed the results of this study and released the report.

I think this matter should be of great interest to small businesses, consumers, and others.

My statement on the report follows:

### STATEMENT OF HON. NEAL SMITH

This press conference is for the purpose of reporting the results of a further study of cattle futures activities and to report specifically an unprecedented discovery relating to the live cattle futures contract on the Chicago Mercantile Exchange.

It involves the activities of a group of 32 traders, many of whom have business affiliations, who have traded in similar or identical patterns for at least 16 months each time live cattle futures reach the cost of production for Corn Belt feeders as determined by U.S.D.A.

In order to make absolutely sure that I state the information with 100 percent accuracy, I will first read a statement to you in its entirety and will then answer your questions.

Last September, I released the results of a study of trading activities of certain categories of individuals who trade in cattle futures. That study revealed that some traders with access to inside information made huge profits during the period studied.

To begin, let me point out that I have always been a strong supporter of futures markets. When these markets are operating properly, they are one of America's most efficient economic institutions and serve to reduce the margins that businesses, especially small businesses, must have in order to remain operating. In the early 1970's when many people were calling for a shutdown of futures trading, I promoted the bill which, instead of shutting them down, established the CFTC to monitor the industry and provide a legal basis grounded in a sound economic purpose. Most futures markets serve this economic purpose, but when one futures contract is abused or does not serve an appropriate economic purpose properly, whether it is silver or cattle, it seriously hurts the reputation of all futures markets.

For the past several years I have conducted an investigation of the meat and livestock industry which has uncovered:

- (1) extortion at meat unloading docks;
- (2) problems with thin market reporting of cash prices and formula pricing;

(3) problems of concentration of market power among meatpackers;

(4) a growing trend toward vertical integration from feedlot to retailer;

(5) problems with the grading system; and

(6) problems with the live cattle futures contract.

Some of these problems have been addressed by new laws; others are being improved without legislation. I want to thank those of you who have reported the facts which have been uncovered because no progress would have been made but for the fact that some of the news media exposed these abuses and problems to public scrutiny. Today I will focus some more on one problem area—the live cattle futures market of the Chicago Mercantile Exchange. I point out to you that under the CFTC Act, the administrative agencies keep the names and positions of individual traders confidential. While Congress is not bound by this requirement, I have always recognized the desirability of the rule and will continue to do so today.

Previous studies which I have released have shown that:

(1) Corn Belt cattle feeders could have used the futures to hedge against a loss on only 28 days out of the 2½ year period studied ending (August 1980);

(2) large traders, many of which had inside information, made \$156 million trading in live and feeder cattle futures over a 16 month period while small traders lost \$156 million (September 1980);

(3) officers of meat, grain and commercial feedlot companies made an average of \$2.5 million each and officers of brokerage companies made average profits of \$800,000 (September 1980);

(4) meatpackers, grain companies and commercial feedlots tend to trade these markets in the same way (September 1980); and

(5) there are serious problems with the way the Chicago Mercantile Exchange designates hedgers in these markets so that there is not, for practical purposes, and effective speculative limit (September 1980). The limit is supposedly 450 contracts of 40,000 pounds each.

These previous studies indicated there was something drastically wrong with the live cattle futures contract but instead of those in charge of the contract vigorously seeking to find and remedy the problems, they chose to ignore them; therefore, we have proceeded to further analyze the necessary data.

We secured the daily positions of traders and analyzed them to see which ones had similar trading patterns. The staff also examined confidential forms and used public information such as that filed with the SEC, to determine business affiliations.

Today I am reporting on a study which shows that in the live cattle futures, it has been possible to predict with 100 percent accuracy certain changes in live cattle futures prices and that a group of participants in the futures market have been buying and selling futures in a way which permits them to reap large profits from these 100 percent predictable price moves. The predictable bias exerts a downward pressure on live cattle futures prices and is seriously aggravating the problems of feeders other than the very large commercial lots or those who are profiting from this particular futures activity.

If a futures market is operating properly and supply-demand conditions determine prices, then there should be no way to accu-



rately predict price moves 100 percent of the time.

But that is exactly what we have been able to do. The table attached to this statement gives the details of 29 predictions of price drops over the last 3 years. Every one of the 29 predictions came true and usually within 2 days.

The prediction technique is detailed in the report I have made available. It is really very simple—everytime the futures price goes above the cost of feeding cattle by those other than the 422 largest who feed 55 percent of the cattle in the United States, that figure is reported by U.S.D.A., the price will drop—every single time. This is operating with such clockwork that someone trading with this system could have made at least \$4,700,000 over the last 3 years on speculation within the legal limits. Some people did make profits of that amount.

Until today, only 5 people knew about the results of this study—myself and 4 staff members. When I was confronted with the results of this study, I had three choices:

(1) One alternative would have been to say nothing and make several million dollars trading cattle futures. That would obviously be totally irresponsible. I have never traded in cattle futures and will not do so while holding this office.

(2) Another alternative would have been not to trade, but still not reveal this information and to let this condition continue. That would permit some insiders to continue to reap large profits and perpetuate a financial disadvantage to Corn Belt cattle feeders.

(3) The final alternative, which I have chosen, is to reveal what is going on and for the media to disseminate the information widely. That will effectively destroy the ability of cattle futures traders involved to reap these unjustified profits not related to risk or service at the expense of others in the market.

As this becomes public, the traders who are causing this to happen will no longer be able to find others willing to take the opposite side of these contracts. This then should eliminate the disadvantage of traders who do not have knowledge of this downward bias and also could prevent certain drops from occurring prior to the time a Corn Belt feeder could have hedged against a loss.

The downward bias is totally documented in the study. The most important question is what is causing this?

First of all, unlike the grain futures, in live cattle futures there is no significant group of commercial long hedgers who act as a buying force regardless of the price level. In fact, the supply of short hedgers in live cattle is four times as large as long hedgers. The long hedgers in this market are limited largely to some wholesalers and retailers. The balance of the longs to offset the short hedgers are mostly speculators and small traders. Studies show that most packers do not long hedge, they short hedge along with the grain companies and commercial feedlots.

Over the last 3 years, the long speculators have not been enough of a buying force to ameliorate this situation.

What is happening is that big commercial feedlots, grain companies and meat-

packers—who have lower costs than farmer/feeders or can shift costs from one level to another—start going short futures when the price gets over their costs but are still below the level at which most Corn Belt feeders could hedge against a loss. Then about when the price reaches the Corn Belt feeders cost, the officers and brokers jump on the bandwagon and the selling pressure becomes so great that prices drop—everytime.

The net result of this is that it places a cap on prices at the Corn Belt cattle feeders breakeven level. Instead of futures permitting farmers to shift risks by hedging in the futures, this market is putting them at an exaggerated disadvantage to big commercial feedlots who can hedge at the lower cost levels. Commercial lots have a tool in the live cattle futures that permits their continued expansion and the elimination of farmer/feeders.

In my opinion, this alone would show that the live cattle contract is not serving the economic purpose which justified its approval and it would be bad enough if the only problem was the excess of short hedging by the 422 largest feedlots, and by packers and grain companies, many of whom are affiliated with one another. But to compound the problem, the study shows that the selling of a certain group of 32 speculators, officers of various companies, and others is exacerbating the problem.

A classic test of whether futures markets are working properly is to compare futures prices to cash prices. If futures are reflecting true supply-demand conditions then futures and cash prices should move together. After 20 out of the 29 futures price drops over the last 3 years, cash cattle prices either stayed the same or went up. This is strong evidence that the futures prices are artificial and not reflecting supply-demand conditions.

In studying who was involved in this, we combined business affiliation information with an analysis of the correlation in trading activity between various accounts and found a group of 32 large traders who have direct business affiliations and/or highly correlated trading activities.

Over the period January 1978 through April 1979, these 32 traders as a group realized a total net profit (not including commissions, brokerage fees, clearinghouse fees or other trading costs) in live and feeder cattle futures of approximately \$110,000,000 or an average of \$3,437,000 each. I emphasize that these profits were from all trades made by these 32 traders over the 16 month period ending in April 1979, while the predictability of live cattle futures prices has been going on for at least 36 months (since January 1978). At this time, we do not have estimates of profits since April 1979. Over the period for which data were available, all large traders (1,027 in number) had total net profits in live and feeder cattle futures of approximately \$156,000,000. Thus, 3 percent of the large traders with correlated trading activity and/or common business affiliations accounted for 70 percent of the total net profits of large traders.

As a group, the 32 traders were net sellers of live cattle futures on or about 14 out of the 15 dates when the signal predicted price drops during this period.

It is my strong opinion that the results of this study mean that the live cattle futures

market, as presently performing, is not meeting the minimum reasonable economic purpose test and that it is resulting in harm to the very people it is supposed to serve.

The question then is, what should be done? I believe 5 specific things will at least help, namely:

(1) I have made these results public today. This by itself should help eliminate the downward bias in prices.

(2) I have introduced legislation in the last Congress (H.R. 7197) and this Congress (H.R. 631) which prohibits officers of meat companies from trading cattle futures and restricts the companies to only hedge trading. Action on this bill would help.

(3) Strict speculative limits might help.

(4) A much more effective monitoring of the speculator-hedger distinction would help.

(5) But most importantly, armed with this information, it is absolutely essential that the CFTC take whatever action is necessary—right now—to solve these problems or suspend trading until the Chicago Mercantile Exchange or some exchange designs and displays a willingness to enforce a contract which will serve a justified economic purpose.

When incorporated with the results of other studies previously released by the Committee and U.S.D.A., it becomes clear that there are both immediate and future adverse effects on farmers and consumers:

(1) The big commercial lots usually absorb the relatively few longs before the futures price is high enough so non-affiliated feeders can hedge.

(2) Fourteen out of 15 times when the futures price reached the level where Corn Belt feeders could hedge, 32 traders with similar or identical trading patterns sold their contracts and that helped to break the market so it almost never could reach the level where the Corn Belt feeders would hedge.

(3) The big commercial lots could sell cattle regardless of cash prices when an affiliated packer wants the cattle or when they want to because they were able to hedge those cattle; however, the Corn Belt feeder could not do that because the futures prices did not permit them to hedge.

(4) The result of this pattern is to drive Corn Belt feeders out of business and increase the rate at which the commercial lots are dominating cattle feeding. In 1979, three times as many Corn Belt feeders went out of business as in 1978.

(5) This situation has effectively capped live cattle prices at a level below where Corn Belt feeders could sell. We are already well on our way toward domination of our cattle supply. 422 lots or the packers or grain companies that control them already feed 55 percent of all of the steers and heifers fed in the U.S. One alone, Caprock Industries, which is owned by Cargill and affiliated with Missouri Beef, feeds 550,000 head by itself.

(6) Unless something is done, the eventual result of this is that these large commercial lots, packers and grain companies will so dominate cattle supplies, that their owners can:

- (a) dictate the price of meat,
- (b) dictate the quality of meat available,
- (c) dictate the price of calves which go into feedlots.

## FUTURES PRICE DROPS AND CASH PRICE CHANGES

[Dollars in hundredweight]

Signal date	Futures contract	Size of futures price <sup>1</sup> drop from signal level		Cash price change		
		Dollars	Days	1 day after signal	2 days after signal (cumulative)	5 days after signal (cumulative)
Feb. 10, 1978	June	-\$0.26	1	-\$0.62	-\$0.62	-\$0.12
Mar. 13, 1978	August	-.41	4	+.37	+.62	+1.87
Apr. 21, 1978	do	-1.05	2	-.62	-.75	0
May 5, 1978	October	-.80	2	+.50	+1.00	+3.00
May 24, 1978	do	-.46	4	0	+1.00	0
Sept. 11, 1978	December	-.86	5	+.62	+1.37	+.62
Sept. 13, 1978	do	-1.48	3	0	-.87	+.08
Sept. 14, 1978	February	-1.74	2	-.87	-.74	-.49
Sept. 21, 1978	do	-1.34	1	0	-.94	-1.12
Oct. 4, 1978	April	-.34	3	0	+.38	-.12
Nov. 28, 1978	do	-1.33	1	-.25	-1.00	-.75
Dec. 8, 1978	June	-.75	2	0	+.50	+1.25
Jan. 24, 1979	do	-.29	2	-.50	+1.00	+1.87
Mar. 8, 1979	August	-.68	2	0	-.38	+2.00
Apr. 12, 1979	do	-.46	1	+1.00	+1.12	+2.00
Sept. 7, 1979	February	-.25	2	+1.10	+1.00	+1.25
Oct. 2, 1979	December	-2.65	1			
Oct. 2, 1979	February	-2.71	1	-.50	-1.25	-3.50
Oct. 2, 1979	April	-.47	2			
Nov. 5, 1979	do	-1.34	1	+.37	+.75	+3.25
Dec. 3, 1979	June	-.73	4	+.25	-.63	-.25
Jan. 2, 1980	do	-.68	4	-1.00	-1.00	-1.00
Mar. 3, 1980	August	-.37	6	+.40	+1.30	+1.30
June 17, 1980	October	-.44	2	+.15	+.15	+.15
June 24, 1980	do	-.22	1	0	0	0
July 22, 1980	December	-.19	5	+.35	+.35	+1.50
July 25, 1980	do	-1.76	2	+.15	+.15	+.15
Oct. 13, 1980	April	-.62	2	0	0	0
Dec. 1, 1980	June	-1.69	1	+.37	+.88	+.88
Average		-.91		+.01	+.12	+.51

<sup>1</sup> Futures price drops are calculated from the closing price on the first day after prices drop below the signal level. The number of days indicates how long before the drop occurred, where 1 day equals the day of a signal, 2 days equals the day after a signal, etc. ●