HOUSE OF REPRESENTATIVES—*Thursday, March 5, 1981*

The House met at 11 a.m.

The Reverend S. James Steen, rector, St. Patrick's Episcopal Church, Washington, D.C., offered the following prayer:

Almighty God, eternal King and Ruler of all the peoples of the Earth, we give You hearty thanks for the gift of our great Nation. We give You thanks for those men and women who by their devotion to justice, freedom, and peace have molded our country in the past. We thank You for the commitment of those who serve her today.

Grant wisdom to all who are entrusted with the authority of government, that both at home and beyond our shores, Your will may be accomplished. Especially, we ask You to guide the Representatives assembled in Congress; that the actions they take here may please You and benefit those whom they are called to serve.

All this we ask in Your holy name. Amen.

THE JOURNAL

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

Pursuant to clause 1, rule I, the Journal stands approved.

REV. JAMES STEEN

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

Mr. JONES of Oklahoma. Mr. Speaker, it is a great privilege and pleasure for me to welcome to the House today the Reverend James Steen, the rector of St. Patrick's Episcopal Church here in Washington, D.C.

It is an honor for us that on this occasion he would have his parents, Mr. and Mrs. Sid Steen of Tulsa, Okla., who are my constituents and friends, to be here to observe their son open this session of the House with a prayer and also to celebrate their 50th wedding anniversary.

Mr. Speaker, Reverend Steen graduated from Washington and Lee University and General Theological Seminary, and served as assistant rector at Trinity Church in Princeton, N.J. He also spent 5 years as associate rector of the Church of St. Luke in the Fields in New York City, where he was widely respected for his efforts to involve the community in the liturgical and social aspects of the church.

I am especially pleased to introduce Jim Steen today because he is a native of my home State, Oklahoma, and the son of two of my constituents, Sid Steen, executive editor of the Tulsa World, and his wife.

Mr. and Mrs. Steen have set Oklahoma a high standard of public service, and their son is doing an excellent job of following in the family footsteps. As an Oklahoman, I would like to say how proud we are of Reverend Steen. As a Member of this House, I would like to thank him for being here with us today.

WE MUST MOVE FORWARD WITH ENERGY PACKAGE

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

Mr. FITHIAN. Mr. Speaker, today I take the well to ask the President to use his budget ax with the same skill that he splits the wood on his ranch. This would mean that he should not chop down the energy program that has been built in this Congress and in this country over the last several years. We must not, I think, give over the ax to the OMB to be wielded recklessly in the field of alternate fuels and in the field of alcohol fuels and in the field of gasohol. I speak only to one element of the energy policy today but it is essential that we move forward toward producing more, not less, energy at this time.

We speak much these days of national defense, but I would remind the Members of the House that the Achilles' heel of the national security program in the United States is our inability to deliver to the Armed Forces the needed liquid fuel to propel the machinery and equipment that we use in the Defense Department.

So, if for no other reason than to make this country more secure, we must move forward with the gasohol program, we must move forward with the alternate fuels program, and we must move forward with the whole energy package that we worked very hard to develop. It must not be dismantled. We must not chop off our foot in the process of chopping budgets.

ENERGY SECRETARY'S PROPOSAL FOR BUDGET INCREASE IS ESSENTIAL

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

Mr. LUJAN. Mr. Speaker, I want to take time today to commend Energy Secretary James Edwards for his remarks concerning manpower needs at our national defense laboratories.

Appearing before a House subcommittee this week Mr. Edwards pointed out the danger of allowing these vital installations to operate with inadequate manpower and dated physical plants.

Two nuclear weapons research facilities—Los Alamos and Sandia labs—are located in New Mexico; together they play a vital role in my home State's economy, but more importantly they are of critical importance to the future security of our Nation.

The New Mexico congressional delegation has been meeting with DOE officials in an effort to obtain at least 75 more positions for the protective force at the Los Alamos National Laboratories. Secretary Edwards' viewpoint on this proposal is positive. He proposed to substantially increase funding for national labs because of growing concern that weapons research is lagging and that future needs will not be met.

It is clear that the Secretary has given this subject a full review. His proposal for a budget increase is well-founded and essential. I look forward to working with him in the coming months to insure that our national defense labs are fully funded.

APPOINTMENT AS MEMBERS OF COMMISSION ON SECURITY AND COOPERATION IN EUROPE

The SPEAKER. Pursuant to section 3(1), Public Law 94-304, the Chair appoints as members of the Commission on Security and Cooperation in Europe the following Members on the part of the House: The gentleman from Florida (Mr. FASCELL), chairman; the gentleman from Illinois (Mr. YATES); the gentleman from New York (Mr. BINGHAM); the gentleman from Colorado (Mr. WIRTH); the gentlewoman from New Jersey (Mrs. FENWICK); and the gentleman from Pennsylvania (Mr. RITTER).

APPOINTMENT AS MEMBERS OF U.S. DELEGATION OF MEXICO-UNITED STATES INTERPARLIAMENTARY GROUP

The SPEAKER. Pursuant to the provisions of section 1, Public Law 86-

☐ This symbol represents the time of day during the House proceedings, e.g., ☐ 1407 is 2:07 p.m.

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

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

420, as amended, the Chair appoints as members of the U.S. delegation of the Mexico-United States Interparliamentary Group the following Members on the part of the House: The gentleman from Texas (Mr. DE LA GARZA) chairman; the gentleman from Pennsylvania (Mr. YATRON), vice chairman; the gentleman from Texas (Mr. KAZEN); the gentleman from California (Mr. MILLER); the gentleman from Missouri (Mr. SKELTON); the gentleman from Colorado (Mr. KOGOVSEK); the gentleman from Florida (Mr. MICA); the gentleman from California (Mr. ROUSSELOT); the gentleman from California (Mr. LAGOMARSINO); the gentleman from Arizona (Mr. RUDD); the gentleman from Pennsylvania (Mr. GOODLING), and the gentleman from California (Mr. DREIER).

APPOINTMENT AS MEMBERS OF U.S. GROUP OF NORTH ATLANTIC ASSEMBLY

The SPEAKER. Pursuant to the provisions of section 1, Public Law 689, 84th Congress, as amended the Chair appoints as members of the U.S. group of the North Atlantic Assembly to be held May 22 to 25, 1981, in Venice, Italy, the following Members on the part of the House: The gentleman from California (Mr. PHILLIP BURTON), chairman; the gentleman from Indiana (Mr. HAMILTON), vice chairman; the gentleman from Texas (Mr. BROOKS); the gentleman from Illinois (Mr. ANNUNZIO); the gentleman from North Carolina (Mr. ROSE); the gentlewoman from Ohio (Ms. OAKAR); the gentleman from New York (Mr. GARCIA); the gentleman from Mississippi (Mr. BOWEN); the gentleman from Michigan (Mr. BROOMFIELD); the gentleman from Illinois (Mr. FINDLEY); the gentleman from Virginia (Mr. WHITEHURST); and the gentleman from California (Mr. BURGENER).

APPOINTMENT AS MEMBERS OF U.S. DELEGATION OF CANADA-UNITED STATES INTERPARLIAMENTARY GROUP

The SPEAKER. Pursuant to the provisions of Public Law 86-42 as amended, the Chair appoints as members of the U.S. delegation of the Canada-United States Interparliamentary Group to be held May 22-26, 1981, in Halifax, Nova Scotia, the following Members on the part of the House:

The gentleman from Florida (Mr. FASCELL), chairman; the gentleman from Massachusetts (Mr. BOLAND), vice chairman; the gentleman from Florida (Mr. GIBBONS); the gentleman from Washington (Mr. BONKER); the gentleman from New York (Mr. LAFALCE); the gentleman from Illinois (Mr. RUSSO); the gentleman from Maryland (Mr. BARNES); the gentleman from New York (Mr. HORTON); the gentleman from Kansas (Mr. WINN); the gentleman from Michigan (Mr. DAVIS); the gentlewoman from Maine (Mrs. SNOWE); and the gentleman from New York (Mr. MARTIN).

HOUSE COMMITTEE FUNDING RESOLUTIONS

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

Mr. DREIER. Mr. Speaker, at a time when the President is calling for reductions in Federal spending of almost $50 billion, it is imperative that the Congress show a sense of fiscal responsibility in the workings of our own House.

While the Senate has cut committee budgets by an average of 10 percent below last year's authorization, we in the House will begin to vote on committee funding resolutions that, in all but one case, contain increases ranging from 16 to 39.2 percent.

How can we as Members of Congress tell the American people to make economic sacrifices at the same time we continue to increase our committee budgets? Americans have sent a clear message to Congress. America wants less Government and less Government spending.

We must begin by putting a lid on the expenditures for our committee budgets. I urge you to defeat the committee funding resolutions at the proposed funding levels.

RITA JENRETTE DOES NOT SPEAK FOR HUGHES FAMILY

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

Mr. HUGHES. Mr. Speaker, we have seen a lot more of Rita Jenrette lately, both on the talk show circuit and in the pages of Playboy magazine.

She has become quite an expert—or at least she claims to be—on the Congress, its Members, and our morality.

But the Washington I hear about from Rita Jenrette is not the Washington I know. Whatever our other shortcomings might be, I know the overwhelming majority of my colleagues to be decent, God-fearing, sincere, and hard-working individuals who have given every effort toward doing what they believe is right.

Perhaps I have not traveled in the right circles, but the husbands and wives I have met in the Congress are deeply involved in civic work, in raising funds for the troubled or needy, in working with our young people, and a host of other worthy activities, or perhaps they are simply homemakers.

I know that that type of activity, day in and day out, is not particularly exciting or newsworthy. It does not make good copy and it certainly will not boost the ratings of the "Phil Donahue show."

But that is the Washington I know.

Rita Jenrette has every right to talk about her own life and speak for herself. But she does not speak for me, or for my family, or for, I suspect, the great overwhelming majority of my associates.

INTRODUCING LEGISLATION PROVIDING CREDIT FOR NONPETROLEUM FUEL USE BY AUTOMOBILES

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

Mr. GLICKMAN. Mr. Speaker, by 1985 our automobile manufacturers have to meet a standard of 27½ miles per gallon for their average fuel economy. Today I am introducing some legislation which will give these manufacturers a credit on that standard for automobiles that they produce which are designed to use nonpetroleum fuels whether they be alcohol, methane, methanol or whatever.

We have given the automobile manufacturers similar treatment for electric vehicles in previous legislation.

It is my judgment that this may provide them the incentive to build cars that have engines that use alternative fuels at a much faster rate than they ordinarily will do.

Mr. Speaker, I let my colleagues know that today our companies are manufacturing several hundred thousand cars a year in South America that use 100 percent alcohol and certainly they should be able to have the technology to manufacture the same kind of cars for the U.S. market. Hopefully this bill will provide them with some incentive.

□ 1115

PERMISSION FOR COMMITTEE ON ENERGY AND COMMERCE TO HAVE UNTIL MIDNIGHT FRIDAY TO FILE REPORT ON H.R. 2166

Mr. SHARP. Mr. Speaker, I ask unanimous consent that the Committee on Energy and Commerce may have until midnight Friday, March 6, 1981, to file a report on the bill, H.R. 2166.

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

There was no objection.

CONGRESS SHOULD SET EXAMPLE BY CUTTING COMMITTEE STAFFS

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

Mr. COLLINS of Texas. Mr. Speaker, in its wisdom the House has taken long and deliberate time in its consideration of the committee staff budgets. The reason for that is that America knows Congress is spending too much money, and it knows that the $80 billion deficit comes from Congress. The bigger the staffs, the more we spend on all types of legislation.

I want to give the Members an example of how fast these committee staffs have grown with a few typical committees compared today against the year 1974, which is not a long time ago, just 6 years.

The Committee on Agriculture had 22 members in 1974. The last I heard they had 70 over there now. The Committee on Interstate and Foreign Commerce had 58; they now have 160 and they are asking for 170.

The Committee on Merchant Marine and Fisheries had 22, 6 years ago, and they have 88 on the staff over there now. The Committee on Ways and Means had 31 in 1974, and they now have 90.

The way to cut back on Government is to cut back on the staffs and have fewer of these people sitting around the Halls of Congress trying to dream up new regulations, dream up new laws. We need to save money for America.

America has more Government that it needs, more regulations than it wants, and more taxes then we can afford to pay.

U.S. NATIONAL SECURITY AND THE MULTILATERAL DEVELOPMENT BANKS

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

Mr. CONTE. Mr. Speaker, in assessing legislation for the Multilateral Development Bank (MDB's) this year, I urge my colleagues to consider the impact of these institutions on U.S. national security. The vast financial support they provide is critical to the maintenance of long-term economic and political stability throughout the developing world.

Among the 13 largest development bank borrowers, for example, this security is absolutely vital to U.S. strategic interests. Each of these countries—Brazil, Mexico, Korea, Pakistan, Egypt, India, Indonesia, Colombia, Thailand, Yugoslavia, Turkey, the Philippines, and Kenya—is either a close U.S. ally or a key buffer to Soviet-backed expansionism. Alone, these countries received over $8 billion in development bank assistance in 1979—more than four times U.S. security support assistance, worldwide, in 1979, and at far less cost to the American taxpayer. Reduced U.S. support for these institutions would mean not only less development assistance, but also a loss in U.S. influence over the direction of MDB assistance flows.

U.S. security interests are closely linked to the health of the world economy which, in part, is dependent upon MDB activities for growth, resilience, and efficiency. MDB assistance induces growth which stimulates markets. The largest MDB borrowers are the world's fastest growing markets and now surpass Western Europe in the purchase of U.S. exports.

The MDB's help to recycle surplus OPEC funds back to the deficit developing countries through project loans, thus alleviating excess strain on the world's monetary system.

Finally, the MDB's use their growing leverage to induce shifts within the developing countries toward market-oriented policies thereby helping to achieve and maintain an efficient, responsive international market economy.

ENACTMENT OF H.R. 2256, PHASING OUT EXCISE TAX ON LARGE CIGARS, URGED

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

Mr. NELLIGAN. Mr. Speaker, I am delighted to cosponsor H.R. 2256, which would phase out over a 3-year period the excise tax on large cigars. In the past, when times were much more prosperous for the cigar industry, it made some sense for these products to be used as vehicles for a stable source of Government revenue. The cigar excise tax was doubled in 1942, as part of the package to raise funds for World War II—and then later for the Korean conflict.

In recent years most of the excise taxes in this country have been eliminated. Now the U.S. cigar industry has fallen on hard times. The industry is a major source of employment in the Eleventh District of Pennsylvania, particularly in Berwick, Mountaintop, and Kingston, where we already suffer from high unemployment. Enactment of H.R. 2256 would inject badly needed financial support to a labor intensive industry and help get it back on its feet. By so doing, it would create needed jobs in Pennsylvania and other areas throughout the country, thereby providing revenues to the Government through increased income taxes. I urge my colleagues to support H.R. 2256.

LEGISLATIVE PROGRAM

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

Mr. MICHEL. Mr. Speaker, I ask to proceed for 1 minute for the purpose of inquiring of the acting majority leader the program for next week.

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

Mr. MICHEL. I will be happy to yield to the gentleman from Indiana.

Mr. SHARP. Mr. Speaker, the leadership would like to announce the program for next week.

On Monday, the House meets at noon in a pro forma session.

On Tuesday, the House meets at noon to consider one bill under suspension of the rules: H.R. 2166, to extend antitrust defense for oil companies participating in voluntary agreements under the international energy program.

On Wednesday, the House will meet at 3 p.m. in a pro forma session.

On Thursday, the House meets at 11 a.m. in a pro forma session.

On Friday, the House will not be in session.

Mr. MICHEL. I might make the observation that it is a pretty lean plate for next week. I was given to understand that since the funding resolutions were put off this week, that they might be considered next week. I wonder if the gentleman would have any intelligence on when those funding resolutions might be brought before the House?

Mr. SHARP. I have been advised that that decision has not been finally given, and can really provide no further information.

Mr. MICHEL. Do I understand, then, from the gentleman's response, that a decision has not been made either on the form in which they would come by the traditional means, for example, of one at a time, giving the minority an opportunity to amend the individual resolutions, or is there a prospect of their all being lumped together in one resolution.

Mr. SHARP. I simply have not been advised in a way that I could answer that question.

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

Mr. MICHEL. I will be happy to yield.

Mr. LOTT. We are getting off to an extraordinarily slow start, it seems to me, around here. I wonder if the leader has been informed as to when we might pick up the pace around here.

Mr. MICHEL. No, but the majority leader and I had a little exchange the other day in which I said that the measurement of what is accomplished around here at this junction cannot always be measured by what takes place on the House floor. The commit-

tees are meeting. I understand the Budget Committee, as the gentleman well knows, is meeting. The Ways and Means Committee is beginning to hold hearings. The Appropriations Committee has already met, unfortunately, on the Carter budget as distinguished from the new one.

We know the rescissions will not be up here until the 10th of March. We cannot really be in that kind of position of criticizing any inaction on the floor of the House when, frankly, the tax bill itself has not been formally submitted. The specifics will not be up here until the 10th.

I cannot be all that critical that we are not doing things here on the floor of the House if for no other reason than just to be spinning our wheels. I would say, however, that it is important that we have ample time to debate the funding resolutions for the various committees, because as the gentleman well knows, we have some decided feelings on this side particularly about the growth of staff around here and our own intention of making some economies here in our own body to give some encouragement to the departments downtown and the rest of the people out there in the country who are being asked to sacrifice something and to cut down on their normal pattern of living in the interests of the overall national effort to cut Federal expenditures.

Mr. SHARP. Mr. Speaker, will the gentleman yield further?

Mr. MICHEL. I yield.

Mr. SHARP. I can advise the House that the leadership does wish and expect to take up consideration of committee funding during the week of March 16.

Mr. MICHEL. March 16. I thank the gentleman for that observation, and then I will take it from the gentleman's statement that that will be the case, and we will prepare ourselves for that eventuality.

Mr. Speaker, I yield back the balance of my time.

ADJOURNMENT TO MONDAY, MARCH 9, 1981

Mr. SHARP. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Monday next.

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

There was no objection.

DISPENSING WITH CALENDAR WEDNESDAY BUSINESS ON WEDNESDAY NEXT

Mr. SHARP. Mr. Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule be dispensed with on Wednesday next.

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

There was no objection.

COMMENTS AND SUGGESTIONS BY THE HONORABLE CHARLES ROSE OF NORTH CAROLINA

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from North Carolina (Mr. ROSE) is recognized for 5 minutes.

EFFECT OF IMPORTED TOBACCO ON TOBACCO PRICE SUPPORT PROGRAM

Mr. ROSE. Mr. Speaker and my colleagues in the House, before he left office President Carter accepted the recommendation of his Secretary of Agriculture, Bob Bergland, to call for an investigation of the effect that imported tobacco was having on the tobacco price support program administered by the U.S. Department of Agriculture. President Reagan asked that that investigation be halted when he came into office, and on Monday of this week he gave the green light to the resumption by the International Trade Commission of the investigation started by the previous President.

Mr. Speaker, I salute both the previous and the present Presidents of the United States for the actions that they have taken in this investigation, and as chairman of the Tobacco and Peanut Subcommittee of the Committee on Agriculture, I pledge to watch this investigation very carefully to the end that the tobacco producers of this country can be assured that the tobacco price support program is operating as it should be in the interests of all Americans.

LEGISLATION TO PROTECT IDENTITY OF INTELLIGENCE AGENTS

Mr. Speaker, on another subject, I have cosponsored legislation that would protect the identity of intelligence agents. In the last few years we have seen a great trend toward openness and full disclosure. Much of this is good, but much of this often causes more harm than good. In the case of the intelligence community, it has placed the lives of many intelligence agents in jeopardy. I hope that when the time comes for this legislation to be brought to the floor, that it will have wide bipartisan support so that intelligence community agents who serve our country can do their work with the requisite program.

USE OF COMPUTERS INCREASE EFFICIENCY OF COMMITTEES AND MEMBERS

Mr. Speaker, the House of Representatives is being called on as never before to be a greater guardian and watchdog of the American tax dollars. Industries throughout America have discovered in various ways that their own productivity can be improved by the imaginative and educated use of computers.

Mr. Speaker, in this House the Committee on House Administration has made available to every committee and every Member of Congress adequate resources on computer time and equipment and consultation to make offices and committees more productive.

Mr. Speaker, it is very true that you can bring a horse to water, but you cannot make him drink. So does that apply in the field of computers, and I challenge each and every committee chairman and every colleague on both sides of the aisle to study carefully the resources that are available to them as Members of this body to the end that they become more productive by the intelligent and considered use of electronic data processing.

□ 1130

THE HOUSE BROADCASTING SYSTEM

And last, in closing, Mr. Speaker, we began almost 2 years ago a bold experiment in this Congress, and that was the invention of the House broadcasting system. Today the proceedings of the House of Representatives are the longest running live television show in America.

I left my district the other day by airplane, and a man at the airport said:

> I watch the House of Representatives on television, and sometimes it is pretty dull, but, Congressman, we can tell that you people are serious about managing the business of this country.

So we are about to come up, Mr. Speaker, on the second birthday of the House of Representatives broadcasting system, and we owe you a debt of gratitude as our Speaker for allowing this system to go forth and develop so that millions of men and women across America can look in on live television and see the Congress of the United States at work.

Mr. Speaker, I yield back the balance of my time.

PROVIDING FOR AMERICA'S MINERS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Kentucky (Mr. ROGERS) is recognized for 10 minutes.

Mr. ROGERS. Mr. Speaker, I rise today to bring to the attention of my colleagues the health care needs of our country's coal miners, and to assure them of the need to continue an effective, soundly financed program of black lung benefits.

There is no denying the hazards of working in a coal mine. I am sure that most of my colleagues are well aware of the constant threats of roof cave-ins, explosions, and fires. But there is another, far more insidious danger—the danger of breathing the dusty air

which all too often contributes to the suffocating disease of pneumoconiosis.

The statistics are clear. Black lung kills more Americans than all other forms of pneumoconiosis combined—including those affecting iron workers, farmers, welders, and factory workers. It kills over 1,000 people each year, and disables the 100,000 Americans afflicted today. The risk of death and disability among coal miners is two times that of the general population and the chance of death is eight times more than that in any other occupation.

And the problem is squarely confronted in my own district, in the streets of Harlan, Middlesboro, and Hyden. Ex-miners in Appalachia have a death rate 24 percent greater than the norm.

But the statistics do not address the suffering caused in individual lives. They do not address the numbing fear in a still young man who one day discovers shortness of breath, difficulty in walking up even a slight hill, and then the violent, painful cough.

The statistics do not describe the workingman who dreads going to sleep at night, that time when the suffocating cough prevents his breathing—even when he has his feet carefully propped up or when he is lying under an oxygen tent.

The statistics do not record the heartfelt sorrow of the wife, the eventual widow, who hears her husband's racking cough during the night.

Mr. Speaker, Presidents have declared that our energy crisis is the moral equivalent of war. Each war has its heroes, and this one is no different. And just as our country has legitimately provided for the wounded veterans and their descendants in previous wars, so we must provide for the disabled veterans of this current war.

The country is increasingly turning to coal as a cheap, efficient, and abundant domestic source of energy. It provides our households, industries, and utilities with the promise of future energy. There is not a single congressional district which does not benefit from the labors of the miners.

It is not asking too much when we demand that those who have been disabled in our country's energy war be provided for by the country they have so ably served. The miners and their families should not bear this burden alone.

I urge my colleagues to work with me to insure that we continue to provide a soundly financed, well-constructed program of benefits for these miners who have been truly disabled.

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

Mr. ROGERS. Yes; I yield to the gentleman from Pennsylvania.

Mr. NELLIGAN. Mr. Speaker, I thank the gentleman for yielding, and I compliment him on his profound elocution and articulation of a problem which is indeed a problem for all Americans.

I, too, come from a coal-mining area, the 11th District of Pennsylvania, and I remember, as a young man and as a child, seeing the coal miners from the Dorrance colliery coming home in the afternoon black with only the whites of their eyes showing. I watched those coal miners over the years, as I grew to be a young man, and I watched the deterioration of their bodies, I watched them wheeze and bend over and gasp for breath, and indeed I saw them die from black lung.

If we can expect in this Nation a revitalization of coal, then we must have consideration for the men who are going to mine that coal. I strongly urge all my colleagues, particularly those who do not have this problem, who are not confronted with the problem, and have not seen the victims of black lung, to be sympathetic and compassionate. And if not that, I just urge them to look at it reasonably and logically, and I urge, for the good of the country and for the good of the coal miners in this country and to achieve energy independence, that they do not support any move to cut the black lung program.

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

Mr. ROGERS. Yes; I yield to the gentleman from Texas.

Mr. GONZALEZ. Mr. Speaker, I also wish to rise in strong support of the gentleman's message. This may seem strange, coming from a nonmining-area Representative, but it so happens that my whole family history is intertwined with mining. My oldest brother, who died 1 year ago exactly, was a mining engineer and spent all his life in the mining area of northern Mexico, and I am very familiar with the plight of miners that has been described here so dramatically.

I remind the gentleman that really the question is a very large one, and unless one has been into the mines or the mining areas and seen the plight and the life of a miner, it is very difficult to comprehend what is involved.

I want to express my support, as I have from the beginning, of the black lung legislation. There is only one other thing, though, and that is why I am delighted that the two gentlemen spoke up today, and that is that, as I understand it, on the budgetary recommendations by the administration this is targeted for either reduction or elimination; is that correct?

Mr. ROGERS. Mr. Speaker, I understand that the executive branch is considering some changes in the program.

Mr. GONZALEZ. Mr. Speaker, I thank the gentleman very much.

Mr. NELLIGAN. Mr. Speaker, will the gentleman yield on that point for one more comment?

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

Mr. NELLIGAN. Mr. Speaker, I thank the gentleman for yielding.

It is my understanding that the administration intends to keep the black lung program for those who are now receiving it as is. The problem is that it has been plagued with allegations that there are many receiving it who are not truly disabled, and I believe the administration's intention is to make the proof more positive that those who are applying for black lung benefits indeed do have a disablement and they are disabled.

I would hope that what it would do is take the looseness out of the program and insure that only those who are truly disabled, those who really need the black lung payments, are indeed those who are going to get them.

Mr. ROGERS. Mr. Speaker, I urge the executive branch that, in reviewing the black lung benefits program, they consider this very clear and resounding note from the Congress that those who are truly medically disabled from the black lung disease will indeed receive the disability benefits that are presently in the law.

Mr. Speaker, I yield back the balance of my time.

THE SECOND ABSCAM RESOLUTION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. GONZALEZ) is recognized for 15 minutes.

Mr. GONZALEZ. Mr. Speaker, yesterday the House voted again overwhelmingly, with the one dissenting voice being mine, on the so-called No. 2 Abscam resolution.

I have been distraught that there would have been such little attention paid to the real issue that surrounds the development of the actions that we have had to confront as a result of that specific resolution and its reaffirmation yesterday. It seems that the real issue, which is the independence of the legislative body, is being sacrificed without a whimper. Liberty usually is lost that way, not with a bang, and now, without a whimper.

In this case I am fearful that the House has acted rather willy-nilly on the most fundamental emergence of a basic issue that very seldom has confronted the English-speaking world with respect to its parliamentary or representative activities.

Mr. Speaker, I hope to go into this at greater length in the days to come, but it just seems that the House, in acting the way it did yesterday, was like the old Bourbon kings and learns nothing and forgets nothing.

What we should have learned, and must learn, is that the tactics of

Abscam went too far. Judges have questioned it, thoughtful editorialists have questioned it—but the issue seems too hot for us to handle here in the House—and this House is where liberty is going to be preserved or lost.

It is one thing for a law enforcement agency to investigate crime, and another to fabricate crime. Abscam was very much a case of fabricated crime, aimed against specifically targeted legislators. This is not only troubling, it is frightening.

The Washington Post last January 13 went as far as anybody could expect in today's climate to warn about the excesses that now seem to be authorized by the Justice Department. The editorial says that the guidelines that embrace Abscam tactics go "too far." It says that—

No law enforcement agency should be in the business of running around town offering bribes, willy-nilly, in hopes that someone will accept something. After all, the agent who offers a bribe is committing what would be an illegal act but for his official position.

Precisely. We are forewarned that the purposes of the FBI are not always benign. As the Post warns, speaking of the Abscam guidelines—

The history of the Bureau is reason enough not to have such a power lying around . . .

Yet we ask no questions; we do not consider the uneasiness of the judges who have been considering these cases and the appeals from them; we do not question anything in our haste to exorcise the demons and furies of Abscam. I believe that the warnings I have cited, in the Post editorial, ought to stimulate a little thought and courage on our part. Do we really want a society in which anybody, including supposedly independent officials, are subjected to tricks and tests with no other purpose than to entangle people who have done nothing wrong—but can perhaps be made to do something wrong? We would be outraged if such flummery were used against the press, which cherishes, rightfully so, its independence and freedom. Why can we not see the danger to the Congress itself?

The editorial follows:

ABSCAM AND HONESTY TESTS

There is not much to be gained by speculating about how the latest chapter in the Abscam affair will end. The prosecutors, past and present, are apparently divided among themselves as to how close the investigators came, in some of the bribery cases, to the line that divides a legal snare from an illegal trap. The defense attorneys, of course, think the line was crossed. The judges, as they always do, will have the last word.

But there is something to be gained from looking—in the abstract—at the tactics used by the government in this remarkable investigation. According to the Department of Justice, those tactics pretty well followed the guidelines set out last week by Attorney General Civiletti as official policy for future undercover investigations.

If that is so, the Justice Department and the FBI tried hard to keep the Abscam investigation on target. The guidelines provide, for example, that before a government agent invites an individual to engage in illegal conduct—as the Abscam agents did when they offered bribes to members of Congress—the "corrupt nature" of the conduct must be "reasonably clear" to the potential victim. The inducement offered—$50,000 in most Abscam cases—must also be in line with the character of the illegal transaction.

Those are useful and wise guidelines, meant to eliminate the possibility that a victim does not understand the illegality of what he is asked to do and is not tempted by sums of money out of line with reality.

But after that, the guidelines move into a treacherous area. They permit the director of the FBI to authorize his agents to offer bribes to individuals who are not suspected of having previously engaged in similar illegal activities.

This is pushing the law and the legitimate role of law enforcement agencies too far. It is acceptable, legally and as public policy, for FBI agents to offer bribes to members of Congress when there is reason to believe they have sold or are willing to sell their services. But it is bad public policy and perhaps legally wrong for those agents to test the honesty of any public official (or anyone else) unless that threshold of prior questionable conduct has been crossed. No law enforcement agency should be in the business of running around town offering bribes, willy-nilly, in hopes someone will accept something. After all, the agent who offers a bribe is committing what would be an illegal act but for his official position.

This issue has yet to come to the surface in the Abscam trials. It may or may not come up in the future, depending in some part upon the prior activities of the men who were indicted. But whether or not it arises in these cases, the present attorney general or the next one should review these new guidelines with an eye to striking out this particular grant of authority to the FBI. While it is unlikely that the present director would abuse his power, the history of the bureau is reason enough not to have such a provision lying around waiting for someone to invoke it as a routine test for determining honesty.

COTTER PENSION PLAN

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Connecticut (Mr. COTTER) is recognized for 5 minutes.

● Mr. COTTER. Mr. Speaker, today I am introducing my bill to encourage workers to save for their retirement by making it easier for them to begin an individual retirement account.

In essence, the Cotter plan is an IRA for all working men and women. The plan allows an individual worker to open an IRA even if that person already has a private or government pension plan. Almost every working person and their spouse would be able to open an IRA, even if the spouse had no earned income.

Individuals in qualified pension plans would be able to exclude up to $500 from taxable income on their Federal tax return each year, and up to $1,000 each year on a joint return. The money placed in a Cotter plan would not be taxed until it is withdrawn after retirement, usually at a lower tax rate.

In addition, the bill raises the present IRA limits for those who have no other pension plan to $2,000 or $2,500 for a spousal account. This maintains the present equity relationship between the various pension systems.

This tax incentive is designed to encourage people to take greater responsibility for their retirement by saving now to supplement other retirement income. It is also designed to encourage long-term savings in order to help provide for the long-term capital needs required by our economy.

A more detailed description of the Cotter plan is printed below. However, there are several points I would like to make. First, each year a person would be able to exclude not only $500 for their own account, but an additional $500 can be excluded from taxable income for a spouse, even if the spouse has no earned income.

In order to insure that these funds are available for retirement, there would be a 10-percent penalty tax for withdrawal from the account before retirement.

For people who have no qualified pension plans, the Cotter plan would raise the present IRA limits to the lesser of $2,000 or 100 percent of gross income for an individual, or $2,500 or 100 percent of gross income for an individual and spouse.

Projections by the Joint Committee on Taxation indicate that this proposal will cost the Treasury $1.2 billion by 1984, but I am convinced the long-term benefits of this proposal far outweigh this cost.

One final point, my bill requires that institutions providing the Cotter plan clearly provide on an annual basis the rate of return to the holder of the account. This will enable each holder of a Cotter plan to "shop around" for the best interest rate available. Complete freedom is given the holder to rollover from one type of account to another, or to switch institutions holding their Cotter plan if they do not feel they are receiving a fair return on their investment.

I believe the Cotter plan offers a distinct opportunity for Congress to act to encourage saving. It is increasingly becoming apparent that our aging population will have to prepare itself more carefully to secure a decent standard of living during retirement. Latest statistics indicate that the ratio of covered workers to social security retirees will decline from 3 to 1 to about 2 to 1 by the early 21st century. Given budgetary pressures that will

continue on both the Federal Government and the social security system, it is not likely that the Federal Government will be able to assume responsibility for lessening all of the burdens of our aging population. The establishment of the Cotter plan will be a constructive step in meeting this future social need.

This is the type of legislation that should be part of the current tax bill before the Ways and Means Committee. Low- and moderate-income people have little choice but to spend for necessities the money they receive from the tax cut. The wealthy will save and invest. The vast majority of Americans in the middle class are at the margin—they could save their tax reduction and contribute to capital formation and productivity, or spend it and perhaps contribute to inflationary pressures. My bill may tip the scale for many middle-class Americans in favor of saving for retirement, providing a strong support for the President's economic recovery program.

REVENUE EFFECT

It is estimated that the provision will reduce budget receipts by $30 million in fiscal year 1981, $735 million in fiscal year 1982, $945 million in fiscal year 1983, $1,180 million in fiscal year 1984, $1,280 million in fiscal year 1985, and $1,425 million in fiscal year 1986.

One last point, the following table shows the estimated distribution by income class of the Cotter plan. The table shows that 79.6 percent of all tax deductions will go to those making between $10,000 and $50,000.

COTTER PENSION PLAN—ESTIMATE OF DISTRIBUTION BY INCOME CLASS

[1978 income level]

Aggregate gross income (thousands of dollars)	Tax deduction (millions of dollars)	Percent of all tax deduction	Number of returns (thousands of returns)	Percentage of all returns
$0 to $10	143	6.0	577	11.6
$10 to $20	565	23.9	1,384	27.7
$20 to $30	655	27.7	1,312	26.3
$30 to $50	663	28.0	1,181	23.7
$50 to $100	273	11.5	445	8.9
$100 plus	68	2.9	91	1.8
Total [1]	2,367	100.0	4,990	100.0

[1] Estimated revenue loss for 1978 is $760 million.

Source: Joint Committee on Taxation.

THE 103D ANNIVERSARY OF BULGARIAN INDEPENDENCE DAY

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from New York (Ms. FERRARO) is recognized for 5 minutes.

● Ms. FERRARO. Mr. Speaker, March 3, 1981, marked the 103d anniversary of Bulgarian Independence Day. I want you to know that my heart goes out to the proud people of Bulgaria.

Bulgaria's history has been one of continual domination and persecution by foreign powers. It was at the end of the Russo-Turkish War of 1877–78 that Bulgaria achieved independence. It was a time of great joy for these people who poured their energies into building a prosperous nation where freedom of speech and assembly were part of their basic human rights. It is most unfortunate that the freedom, under which Bulgaria flourished economically, socially, and politically was so short lived. The advent of World War II brought an abrupt end to this freedom. Bulgaria was invaded by Soviet military forces who to this day impose a Communist government on this once independent nation.

Years of peace, progress, and freedom created a strong sense of Bulgarian nationalism, which is still very much alive among these people. Many continue in their fight for self-determination and remain hopeful of some day resuming a life free from Soviet oppression.

Bulgarians have demonstrated great courage and strength throughout their history. Let us join other freedom-loving peoples throughout the world in supporting these brave individuals who are struggling to regain independence for Bulgaria.●

STATUS REPORT ON FEDERAL INVESTIGATION INTO FRAUD AND CORRUPTION IN ARMY AND AIR FORCE EXCHANGE SERVICE

(Mr. DAN DANIEL asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. DAN DANIEL. Mr. Speaker, today I am providing the status of the Federal investigation into fraud and corruption in the Army and Air Force Exchange Service (AAFES).

This investigation is being conducted by a Federal task force which consists of representatives from the Department of Justice Public Integrity Section, U.S. attorney's office for the western and northern districts of Texas, the Federal Bureau of Investigation, the Internal Revenue Service, and the Air Force Office of Special Investigations.

Pursuant to its oversight responsibility for military exchanges, the nonappropriated fund panel, Committee on Armed Services, has monitored closely the investigation by the Federal task force. In addition, the panel has examined independently the entire matter concerning vendor and employee misconduct.

On November 21, 1980, I inserted into the CONGRESSIONAL RECORD a copy of a letter addressed to the commander of AAFES, clarifying AAFES responsibility in matters pertaining to suspension of companies which have admitted criminal activity.

In December the U.S. General Accounting Office (GAO) issued a report entitled "More Effective Internal Controls Needed To Prevent Fraud and Waste In Military Exchanges". GAO recommends that the exchanges take a more active and systematic approach to combat fraud and to improve the overall system for managing procurement.

Because of the nature and extent of fraud and corruption uncovered at AAFES, the panel met with the Chiefs of Staff of the three military services to advise them of the panel's deep concern and alarm. The service Chiefs of Staff have submitted a report, including a plan of action, addressing the panel's concern.

Judicial action has been brought against contractors, contractor consultants, vendor representative firms, and AAFES employees. As of February 4, 1981, a total of 24 within the 4 years have pled guilty or been convicted. In that time 61 firms and/or individuals have been suspended or debarred from doing business with AAFES or the Federal Government. Since 1976 AAFES has taken administrative action against 29 executive employees for violations of its standard of conduct. Of these, 13 were separated or resigned while separation action was pending; 16 were either suspended, reprimanded, or counseled for less serious infractions. There are many cases pending which will be reported on later.

The following table lists actions taken against suppliers and employees of the Army and Air Force Exchange Service arising out of the Federal task force investigation of fraud, waste, and abuse.

ACTIONS TAKEN AGAINST SUPPLIERS AND EMPLOYEES

Name	Offense	Judicial action	Administrative action [1]
Suppliers:			
Anthony Leal, owner, S. & L. Construction Co	Giving gratuities	Pled guilty: Aug. 1, 1977; sentenced: Aug. 19, 1977; 1 yr imprisonment, $5,000 fine.	Suspended Feb. 24, 1978; debarred Sept. 21, 1978–Feb. 24, 1981.
S. & L. Construction Co	do	None	Suspended Feb. 24, 1978; debarred Jan. 17, 1979–Feb. 24, 1981.
William H. Bell, consultant to S. & L. Construction Co	Conspiracy to defraud	Pled guilty: July 27, 1977; sentenced: Aug. 19, 1977; 3 yr suspended, $1,000 fine.	Suspended Feb. 24, 1978; debarred Sept.21, 1978–Feb. 24, 1981.

ACTIONS TAKEN AGAINST SUPPLIERS AND EMPLOYEES—Continued

Name	Offense	Judicial action	Administrative action [1]
Harry Thaten, owner of Thaten Bros. Construction Co	Giving gratuities	Pled guilty: Oct. 21, 1977; sentenced: Nov. 17, 1977; 3 yr probation, $2,500 fine.	Suspended Feb. 24, 1978; debarred Jan. 17, 1979–Feb. 24, 1981.
Thaten Bros. Construction Co	do	None	Suspended Feb. 24, 1978; debarred Jan. 17, 1979–Feb. 24, 1981.
David Strauss, owner, Strauss Construction Co	Income tax evasion	Pled guilty: June 16, 1978; sentenced: July 17, 1978; $3,000 fine.	Suspended Feb. 4, 1980; debarred July 18, 1980–July 18, 1983.
Strauss Construction Co	do	None	Suspended Feb. 4, 1980; debarred July 18, 1980–July 18, 1983.
Charles M. Kahn, agent of Leal & Strauss	Conspiracy to defraud	Pled guilty: July 20, 1977; Sentenced: Oct. 13, 1978; 5 yrs imprisonment (to run concurrently with May 20, 1977 sentence for tax evasion), $5,000 fine.	Suspended Mar. 30, 1978; debarred Sept. 21, 1978–Mar. 30, 1981.
Harrell Sales International, Inc., military representative firm	False income tax returns	Pled guilty: Aug. 23, 1979; sentenced: Sept. 14, 1979; $10,000 fine.	Debarred June 16, 1980–June 16, 1983.
Harrell International, Inc	Parent corporation of and responsible for actions of Harrell Sales International, Inc.	None	Debarred (A.A.F.E.S. only) June 16, 1980–June 16, 1983.
Wilson Harrell, chief executive officer of Harrell International, Inc. and Subsidiaries.	Responsible for actions of Harrell Sales International, Inc.	do	Suspended Feb. 20, 1980; debarred (A.A.F.E.S. only) June 16, 1980–June 16, 1983.
Patrick H. Bohanan, employee of Harrell Sales International, Inc	Giving gratuities	do	Suspended Feb. 21, 1980–Nov. 10, 1980.
James DeSanto, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21, 1980; Suspended DOD-wide Oct. 21, 1980.
William N. Eddinger, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21, 1980–Nov. 17, 1980.
Milton Eidelberg, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21, 1980; debarred Jan. 27, 1981–Feb. 21, 1981.
William A. Eipper III, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21, 1980–Aug. 1, 1980.
David S. Fishman employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21, 1980–Nov. 10, 1980.
Frank Gates, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21, 1980; died Oct. 7, 1980.
Robert Giangrossi, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21, 1980; suspended DOD-wide Dec. 19, 1980.
Stanford Lee Gritz, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21–Sep. 22 1980.
Richard W. Jacks, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21–Nov. 10, 1980.
Thomas Jankowski, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21, 1980; suspended DOD-wide Dec. 19, 1980.
James Peter Jenson, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21 1980–Nov. 10, 1980.
Norman R. Johnson, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21 1980–Nov. 10, 1980.
Philip W. Johnson, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21, 1980; debarred Jan. 29–Feb. 21 1981.
Philip H. McMillan, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21 1980; debarred Nov. 26, 1980–Feb. 21, 1982.
Carol Morales, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21–Mar. 12, 1980.
Leonard Kay Rinard, employee of Wilson Harrell & Co	do	do	Suspended Feb. 21 1980; debarred Jan. 21–Feb. 21, 1981.
Winthrop G. Robinson, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21–May 14, 1980.
Donald Stephens, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21, 1980; debarred Dec. 8, 1980–Feb. 21, 1981.
Larry Stocker, employee of Harrell Sales	do	do	Suspended Feb. 21–Nov. 10, 1980.
Richard G. Thompson, employee of Wilson Harrell & Co	do	do	Suspended Feb. 21–Jun. 16, 1980.
Martha J. Weems, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21–Nov. 10, 1980.
Dave Weidenfeller, employee of Wilson Harrell & Co	do	do	Suspended Feb. 21–Nov. 25, 1980.
Roland W. Williams, employee of Harrell Sales International, Inc	do	do	Suspended Feb. 21–Nov. 10, 1980.
Jesse Bird, president of Bird Harrell, subsidiary of Harrell International, Inc.	do	do	None.
Bonhoeffer Sales Co. Inc., military representative firm	Conspiracy to defraud	Pled guilty: Mar. 21, 1980. Sentenced: May 12, 1980; $7,500 fine.	Suspended Feb. 22, 1980; debarred Jan. 8, 1981–Feb. 22, 1983.
Brookwood Corp., military representative firm	do	do	Suspended Feb. 22, 1980; debarred Jan. 7, 1981–Feb. 22, 1983.
Robert N. Peffers, president of Bonhoeffer Sales Co., Inc.; vice president of Brookwood Corp.	False income tax returns	Pled guilty: Mar. 21, 1980; sentenced: Jan. 15, 1981; 3 yr suspended, 5 yr probated, $5,000 fine.	Suspended Feb. 22, 1980; debarred Jan. 8, 1981–Feb. 22, 1983.
Estil G. Brumfield, President of Brookwood Corp.; vice president of Bonhoeffer Sales Co., Inc.	Bribery	Granted judicial immunity	Suspended Feb. 22, 1980; debarred Jan. 7, 1981–Feb. 22, 1983.
Adams Commission Co., Inc., military representative firm	do	None	None
M. Hollis Adams, president, Adams Commission Co	do	do	Do.
Elizabeth Arden, vendor	Low level sales personnel gave gratuities (Christmas gifts).	do	Do.
Worldwide Books Co., Inc., vendor and concessionaire	Bribery	Pled guilty: Dec. 14, 1979; sentenced: Dec. 14, 1979, $5,000 fine.	Do.
Bendone Manufacturing Co., Inc., vendor	Giving gratuities	None	Suspended Dec. 3, 1979–Dec. 3, 1980.
Martin A. Taylor, Co. Inc., military representative firm	Bribery	Pled guilty: Sept. 4, 1980; awaiting sentencing	Suspended Dec. 1, 1980; suspended DOD-wide Jan. 2, 1981.
Martin A. Taylor	Officer/director Martin A. Taylor Co., Inc.	None	Suspended DOD-wide Jan. 2, 1981.
Churchill Sales Co., Inc., military representative firm	Bribery	Pled guilty: Aug. 1, 1980; sentenced: Jan. 16, 1981; $20,000 fine.	Suspended Nov. 24, 1980; suspended DOD-wide Jan. 6, 1981.
Martin Goodman	Officer/director Churchill Sales Co., Inc.	None	Suspended DOD-wide Jan. 6, 1981.
Anthony Mazziotti	do	do	Do.
Robert Naar	do	do	Do.
Bazar, Inc. Sales Co., vendor and military representative firm	Bribery	Pled guilty: Oct. 2, 1980; sentenced: Jan. 23, 1981; $20,000	Suspended Oct. 21, 1980; suspended DOD-wide Dec. 18, 1980.
Banice C. Bazar	Officer/director Bazar, Inc. Sales Co	None	Do.
Meyer Bazar	do	do	Do.
Elliot Koppel	do	do	Do.
Bazko Products Corp.	Bazar affiliate	do	Do.
Deltah, Inc	do	do	Do.
North Star Sales Co., Inc	do	do	Do.
P.M.C. (Merchandising) Corp	do	do	Do.
Reps, Inc	do	do	Do.
Sentiment Jewelry Co., Inc	do	do	Do.
Gary Fregeau, employee of Churchill Sales Co., Inc	Income tax evasion, giving gratuities	Pled guilty: Aug. 4, 1980; awaiting sentencing Feb. 6, 1981	Suspended Nov. 28, 1980.
James M. May, vendor representative	Giving gratuities	None	Suspended Dec. 4, 1980.
Federal Sales Associates, Inc., military representative firm	do	do	None.
Vivian Payne, employee of Federal Sales Associates, Inc	do	do	Suspended Oct. 10, 1978–Jan. 18, 1980.
Martha J. Fletcher, employee of John Kealy Co	Accepting gratuities while employed by AAFES (resigned Mar 19, 1976).	do	Suspended Oct. 25, 1978–Apr. 24, 1979.
Ed Neger, vendor representative	Giving gratuities	do	Suspended Apr. 11–Aug. 30, 1979.
Employees:			
Harold Kindreick, contracting officer for construction, headquarters AAFES.	Bribery, consipracy to defraud, income tax evasion.	Pled guilty: July 27, 1977 and Aug. 4, 1977; sentenced: Nov. 17, 1977; 7 yr, $5,000.	Separated Oct. 21, 1977; suspended Feb. 24, 1978; died Sept. 13, 1978.
James W. Wells, contracting officer for construction, headquarters AAFES.	Accepting gratuities	Pled guilty: Nov. 10, 1977; sentenced: Nov. 10, 1977; 30 days.	Resigned Jan. 14, 1977; suspended Feb. 24, 1978; debarred Sept. 21–Feb. 24, 1981.
Phyllis Stiver, merchandising specialist, headquarters AAFES	do	Pled guilty: Oct. 17, 1977; sentenced: Dec. 2, 1977; 2 yr probation, $1,500.	Resigned July 23, 1976; suspended Feb. 24, 1978; debarred Jan. 17, 1979–Feb. 24, 1981.
Florence P. Erb, merchandising specialist, headquarters AAFES	do	Pled guilty: Mar. 30, 1978; sentenced: June 16, 1978; 2 yr probation, $1,500 fine.	Retired in lieu of separation May 31, 1978; suspended May 31, 1978; died Nov. 29, 1978.
Anthony J. Pezzello, merchandising specialist, headquarters AAFES	Conspiracy to defraud, income tax evasion.	Pled guilty: Sept. 20, 1978; sentenced: Oct. 20, 1978; 6 yr imprisonment (4 suspended).	Separated Sept. 11, 1978; suspended Dec. 22, 1980.
Paul Ylda, merchandising specialist, headquarters AAFES	Mail fraud, bribery	Convicted: Oct. 23, 1979; sentenced: Nov. 16, 1979; 8 yr $10,000.	Separated Oct 23, 1978; suspended Dec. 22, 1980.
Enrico Sambuccini, merchandising specialist, Alamo exchange region	Accepting gratuities, false income tax return.	Pled guilty: May 12, 1980; sentenced: May 27, 1980; 3½ yr, $2,500.	Resigned in lieu of separation Nov. 21, 1979.

ACTIONS TAKEN AGAINST SUPPLIERS AND EMPLOYEES—Continued

Name	Offense	Judicial action	Administrative action [1]
James M. Baker, merchandising specialist, Alamo exchange region	Accepting gratuities	Pled guilty: Oct. 10, 1980; sentence: Dec. 19, 1980; 1 yr with 6 mo probated.	Separated June 5, 1980.
Henry Marx, merchandising specialist, headquarters AAFES	do	Pled guilty: May 15, 1980; sentenced: Jan. 16, 1980; 6 mo $2,000.	Retired May 9, 1980.
Walter Shepherd, Deputy Chief, Alamo exchange region	Accepting gratuities, false income tax return.	Pled guilty: Apr. 8, 1980; sentenced: June 17, 1980; 6 yr $10,000.	Retired May 11, 1979.
Kenneth W. Davis, merchandising specialist, Alamo exchange region	Accepting gratuities	Indicted: Sept. 2, 1980; tried: Dec. 16, 1980; hung jury	Separated Sept. 11, 1980.

[1] Unless otherwise noted, suspension actions are issued by A.A.F.E.S. and are effective A.A.F.E.S. only. All debarment actions and DOD-wide suspensions are effective for all DOD agencies and were issued by the Department of the Air Force, Deputy Chief of Staff for Research, Development and Acquisition (AF/RD), prior to June 1979 and by the Department of the Army, Assistant Judge Advocate General for Civil Law (DAJAG), after June 1979.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. DENARDIS) to revise and extend their remarks and include extraneous material:)

Mr. JEFFORDS, for 10 minutes, today.

Mr. ROGERS, for 10 minutes, today.

(The following Members (at the request of Mr. ROSE) to revise and extend their remarks and include extraneous material:)

Mr. GONZALEZ, for 15 minutes, today.

Mr. ANNUNZIO, for 5 minutes, today.

Mr. COTTER, for 5 minutes, today.

Ms. FERRARO, for 5 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. DAN DANIEL, notwithstanding the fact that it exceeds two pages of the CONGRESSIONAL RECORD and is estimated by the Public Printer to cost $1,320.

(The following Members (at the request of Mr. DENARDIS) and to include extraneous matter:)

Mr. PETRI.

Mr. DANNEMEYER.

Mr. BADHAM.

Mr. WAMPLER.

Mr. FINDLEY.

Mr. BROOMFIELD in two instances.

Mr. MCKINNEY.

(The following Members (at the request of Mr. ROSE) and to include extraneous material:)

Mr. FAUNTROY.

Mr. ERTEL.

Mr. SOLARZ.

Mr. OBEY.

Mr. ZABLOCKI.

Mr. OTTINGER in two instances.

Mr. BEILENSON.

Mr. COTTER.

Mr. LEHMAN.

Mr. ROSENTHAL.

Mr. LOWRY of Washington.

Mr. EDWARDS of California.

Mr. SANTINI.

Mr. CORRADA.

Mr. WAXMAN.

Mr. RODINO.

Mr. BONKER.

ADJOURNMENT

Mr. GONZALEZ. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 11 o'clock and 41 minutes a.m.), under its previous order, the House adjourned until Monday, March 9, 1981, at 12 o'clock noon.

EXPENDITURE REPORTS CONCERNING OFFICIAL FOREIGN TRAVEL

Reports of various House committees, and delegations traveling under an authorization from the Speaker, concerning the foreign currencies and U.S. dollars utilized by them during the fourth quarter of calendar year 1980 in connection with foreign travel pursuant to Public Law 95-384 are as follows:

AMENDED REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS, U.S. HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN OCT. 1 AND DEC. 31, 1980

Name of member or employee	Date		Country	Per diem [1]		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]
Edwin Webber	12/13	12/13	Israel				1,763.00 1,298.30				1,763.00 1,298.30
Committee total							3,061.30				3,061.30

[1] Per Diem constitutes lodging amd meals.
[2] If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used enter amount expended.

HENRY S. REUSS, Chairman.
Feb. 17, 1981.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON RULES, U.S. HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN OCT. 1 AND DEC. 31, 1980

Name of member or employee	Date		Country	Per diem [1]		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]
Trevia A. Dean	10/17	10/26	England	531.40	1,290.00		2,610.00				3,900.00
Anthony C. Beilenson, M.C	11/10	11/12	Belgium	7,104.00	288.00				42.93		270.93
	11/12	11/17	Denmark	2,887.50	525.00		1.01		48.13		574.14
	11/17	11/17	France								
Military transportation							2,650.85				2,650.85
Committee total					2,043.00		5,261.86		91.06		7,395.92

[1] Per Diem constitutes lodging and meals.
[2] If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.

RICHARD BOLLING, Chairman.
Feb. 17, 1981.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, HON. WYCHE FOWLER, JR., U.S. HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN NOV. 20 and NOV. 29, 1980

Name of member or employee	Date		Country	Per diem [1]		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]
Wyche Fowler, Jr.[3]	11/21	11/22	Brussels								
	11/22	11/29	Madrid	47,971.00	623.00						
Brussels to Madrid							105.00				105.00
Madrid to D.C. (USAF)							1,203.73				1,203.73
Committee total											1,308.73

[1] Per Diem constitutes lodging and meals.
[2] If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.
[3] Delegate to NATO assembly—reflected on NATO Report.

HON. WYCHE FOWLER, JR.
Feb. 19, 1981.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

698. A letter from the President and Chairman, Export-Import Bank of the United States, transmitting a statement describing a proposed transaction exceeding $100 million with Ansett Aviation Equipment Pty. Ltd. (Australia), pursuant to section 2(b)(3)(i) of the Export-Import Bank Act of 1945, as amended; to the Committee on Banking, Finance and Urban Affairs.

699. A letter from the Chairman, National Commission for Employment Policy, transmitting the Commission's sixth annual report, pursuant to section 505 of Public Law 93-203, as amended; to the Committee on Education and Labor.

700. A letter from the Secretary of the Treasury and the Director, Office of Management and Budget, Executive Office of the President, transmitting the annual report on improvements made in fiscal and budgetary information and controls, pursuant to section 202(f) of the Legislative Reorganization Act of 1970, as amended; to the Committee on Government Operations.

701. A letter from the Secretary of the Treasury, transmitting a report on the Department's activities under the Freedom of Information Act during calendar year 1980, pursuant to 5 U.S.C. 552(d); to the Committee on Government Operations.

702. A letter from the Chairman, Federal Election Commission, transmitting a report on the Commission's activities under the Freedom of Information Act during calendar year 1980, pursuant to 5 U.S.C. 552(d); to the Committee on Government Operations.

703. A letter from the Chairman, National Endowment for the Humanities, transmitting a report on the Endowment's activities under the Freedom of Information Act during calendar year 1980, pursuant to 5 U.S.C. 552(d); to the Committee on Government Operations.

704. A letter from the National Executive Director, American Veterans of World War II, Korea, and Vietnam (AMVETS), transmitting the annual audit report of the organization for the year ended August 31, 1980, pursuant to section 3 of Public Law 88-504; to the Committee on the Judiciary.

705. A letter from the Acting Administrator of General Services, transmitting five amendments to lease prospectuses, one prospectus proposing a succeeding lease, and two which propose new leases, pursuant to section 7 of the Public Buildings Act of 1959, as amended; to the Committee on Public Works and Transportation.

706. A letter from the Comptroller General of the United States, transmitting a report on the impact of the Foreign Corrupt Practices Act on U.S. business (AFMD-81-34, March 4, 1981); jointly, to the Committees on Government Operations and Energy and Commerce.

707. A letter from the Comptroller General of the United States transmitting a report on the management of Radio Free Europe/Radio Liberty (ID-81-16, March 2, 1981); jointly, to the Committees on Government Operations and Foreign Affairs.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BEILENSON:

H.R. 2345. A bill to prohibit the printing of Federal Reserve notes in the denomination of $100, and for other purposes; to the Committee on Banking, Finance and Urban Affairs.

By Mr. COTTER:

H.R. 2346. A bill to amend the Internal Revenue Code of 1954 to extend and liberalize the deduction for individual retirement savings; to the Committee on Ways and Means.

By Mr. PHILIP M. CRANE:

H.R. 2347. A bill to amend title 28 of the United States Code to allow voluntary school prayer; to the Committee on the Judiciary.

By Mr. GLICKMAN:

H.R. 2348. A bill to amend title V of the Motor Vehicle Information and Cost Savings Act to allow adjustments in a manufacturer's fleet average fuel economy for automobiles made by the manufacturer which utilize nonpetroleum based fuels; to the Committee on Energy and Commerce.

By Mr. LEACH of Iowa (for himself, Mr. KASTENMEIER, Mr. BEREUTER, Mr. CONABLE, Mr. CLINGER, Mr. COUGHLIN, Mr. FISH, Mr. FORSYTHE, Mr. FRENZEL, Mr. GRADISON, Mr. GREEN, Mr. HOLLENBECK, Mr. KOGOVSEK, Mr. LAGOMARSINO, Mr. MCKINNEY, Mr. MOFFETT, Mr. OBERSTAR, Mr. PRITCHARD, Mr. RAILSBACK, Mr. SAWYER, Mrs. SCHROEDER, Mr. SMITH of Iowa, Mr. STANTON, Mr. UDALL, Mr. WASHINGTON, and Mr. ZABLOCKI):

H.R. 2349. A bill to require the establishment, on the basis of the decennial census, of congressional districts that are of reasonable numerical equality and that meet certain other requirements, in order to insure fair and effective representation; to the Committee on the Judiciary.

By Mr. LUJAN:

H.R. 2350. A bill to amend the Internal Revenue Code of 1954 to allow a deduction from gross income for certain social security taxes; to the Committee on Ways and Means.

H.R. 2351. A bill to amend title II of the Social Security Act so as to remove the limitation upon the amount of outside income which an individual may earn while receiving benefits thereunder; to the Committee on Ways and Means.

By Mr. OTTINGER:

H.R. 2352. A bill to provide for the payment, out of the proceeds of gold belonging to the Government of Czechoslovakia, of certified awards of nationals of the United States against the Government of Czechoslovakia and to provide for the release of such proceeds to Czechoslovakia after all such awards are paid; to the Committee on Foreign Affairs.

By Mr. PASHAYAN (for himself and Mr. MITCHELL of Maryland):

H.R. 2353. A bill to amend title XI of the Social Security Act to provide that a Professional Standards Review Organization shall not be considered to be an agency of the United States; jointly, to the Committees on Ways and Means and Energy and Commerce.

By Mr. PRITCHARD (for himself and Mr. LOWRY of Washington):

H.R. 2354. A bill to designate national forest lands in the State of Washington as the Cougar Lakes Wilderness; to the Committee on Interior and Insular Affairs.

By Mr. SENSENBRENNER:

H.R. 2355. A bill to amend the Internal Revenue Code of 1954 to extend to 48 months the rollover period for nonrecognition of gain on the sale of a principal residence; to the Committee on Ways and Means.

By Mr. FORSYTHE:

H. Res. 103. Resolution to refer the bill for the relief of Harold N. Holt to the Chief Commissioner of the Court of Claims; to the Committee on the Judiciary.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII,

Mr. FORSYTHE introduced a bill (H.R. 2356) for the relief of Harold N. Holt, which was referred to the Committee on the Judiciary.

ADDITIONAL SPONSORS:

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 246: Mr. GARCIA, Mr. YOUNG of Alaska, Mr. MCDONALD, Mr. STOKES, Mr. FISH, and Mr. JAMES K. COYNE.

H.R. 907: Mr. WON PAT, Mr. WEISS, Mr. AKAKA, Mr. AUCOIN, Mr. MCCLOSKEY, Mr. EDGAR, Mr. COELHO, Mr. GARCIA, and Mr. MCHUGH.

H.R. 1270: Mr. FORD of Tennessee, Mr. YATRON, Mr. NEAL, Mr. DUNCAN, Mr. DE LUGO, Mr. BEVILL, and Mr. SIMON.

H.R. 1293: Mr. FORD of Michigan, Mr. PETRI, Mr. JACOBS, Mr. FAZIO, Mr. WEAVER, Mr. ECKART, Mr. LUNDINE, Mr. NEAL, Mr. ATKINSON, Mr. SABO, Mr. WASHINGTON, Mr. VENTO, Mr. ADDABBO, and Mr. MILLER of California.

H.R. 1309: Mr. VOLKMER and Mr. FLIPPO.

H.R. 1338: Mr. NEAL, Mr. ATKINSON, Mr. SABO, Mr. WASHINGTON, Mr. VENTO, Mr. ADDABBO, Mr. MILLER of California, Mr. PETRI, Mr. FORD of Michigan, Mr. JACOBS, Mr. FAZIO, Mr. ECKART, and Mr. LUNDINE.

H.R. 1429: Mr. GRAY, Mr. RATCHFORD, Mr. DONNELLY, Mr. CROCKETT, Mr. RODINO, Mr. MARKEY, Mr. MCHUGH, and Mr. WASHINGTON.

H.R. 1765: Mr. FROST and Mr. HUCKABY.

H.R. 1956: Mr. LEATH of Texas.

H.J. Res. 167: Mr. HARTNETT.

H.J. Res. 178: Mr. WINN, Mr. BEILENSON, Mr. ADDABBO, Mr. DE LA GARZA, Mr. RUDD, Mr. BENEDICT, Mr. JEFFORDS, Mr. ROE, Mr. GREGG, and Mr. HUGHES.

SENATE—*Thursday, March 5, 1981*

(Legislative day of Monday, February 16, 1981)

The Senate met at 11 a.m., on the expiration of the recess, and was called to order by the President pro tempore (Mr. THURMOND)

PRAYER

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

Gracious God, we pray today for wisdom and humility as the Senate exercises its great power. As pressure from interest groups builds, protect the Senators, their families, and staffs against the forces which would exploit. Strengthen their courage and integrity when seductive influences probe for vulnerability and weakness.

Almighty God, arm the leadership of this Nation with resolve to follow through on the commitments made in political campaigns. Encourage them when futility and frustration taunt their efforts. Let Thy manifold blessings crown their faithfulness as they seek to know and do God's will.

We ask this in the name of Him whose name is above every name and whose kingdom is without end. Amen.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. Under the previous order, the majority leader is recognized.

Mr. BAKER. I thank the Chair.

THE JOURNAL

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

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

ORDER FOR ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that following the time allocated to the two leaders under the standing order and the special orders heretofore entered on behalf of Mr. DOMENICI and Mr. BAUCUS, there be a period for the transaction of routine morning business, not to exceed 30 minutes, in which Senators may be permitted to speak for not more than 5 minutes each.

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

ORDER FOR RECESS UNTIL 11 A.M. TOMORROW AND FOR RECESS FROM TOMORROW UNTIL 11 A.M. ON TUESDAY, MARCH 10, 1981

Mr. BAKER. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in recess until 11 a.m. on Friday, March 6; and that when the Senate convenes on that day, it immediately stand in recess until 11 a.m. on Tuesday, March 10, 1981.

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

ORDER FOR CERTAIN ACTION TO BE TAKEN ON FRIDAY, MARCH 6, 1981

Mr. BAKER. Mr. President, I ask unanimous consent that on Friday, March 6, 1981, between 9 a.m. and 3 p.m., Senators be permitted to introduce bills, resolutions, and statements, and that committees be authorized to file reports.

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

AUTHORITY FOR CERTAIN ACTION BY OFFICERS OF THE SENATE DURING RECESS

Mr. BAKER. Mr. President, I ask unanimous consent that during the recess of the Senate over until Friday, March 6, and Tuesday, March 10, 1981, messages from the President of the United States and the House of Representatives may be received by the Secretary of the Senate and appropriately referred; that the Vice President, the President pro tempore, and the Acting President pro tempore be permitted to sign duly enrolled bills and joint resolutions.

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

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, I have no further need for my time under the standing order, and I am prepared to yield it back; or, I am prepared to yield it to the distinguished minority leader or any other Senator. I will yield my remaining time to the distinguished minority leader, if he wishes.

Mr. ROBERT C. BYRD. I would appreciate it if the majority leader would do so. I do not know of any need for the time, but I would like to have it; and if the majority leader desires to have it yielded back, I will be glad to do that.

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

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

RECOGNITION OF THE MINORITY LEADER

The PRESIDENT pro tempore. The Senator from West Virginia.

Mr. ROBERT C. BYRD. Mr. President, I yield such time as he may desire to the distinguished Senator from Wisconsin (Mr. PROXMIRE).

Mr. PROXMIRE. I thank the distinguished minority leader.

HISTORIAN OF THE HOLOCAUST

Mr. PROXMIRE. Mr. President, in a recent New York Times Book Review, Lucy Dawidowicz tells of the historian Philip Friedman, the first to organize the collecting of records about Jewish life and death under the German wartime occupation.

"The holocaust often defeated historical imagination," she writes, for its nature and scope seem beyond human comprehension. Yet Friedman, a Jew and a survivor, had the restraint necessary to distance himself far enough to write an objective history. In his book "Roads to Extinction," Friedman explores the dual aspects of holocaust history: The German policies of extermination, and the Jewish response to them. While he was only a few years removed from the traumatic events he wrote of, his essays are a triumph of discipline and detail. As Dawidowicz points out:

> Friedman stimulated survivors to write memoirs and urged them to gather letters, photographs, relics and any remains that would serve future historians.

Friedman's commitment to a preservation and clear analysis of the facts of the holocaust reflects a desire to make it comprehensible. Thus, if we can trace the events and the motives behind the horror, and know, almost intimately, the mortal consequences, we can be better prepared to never allow such a crime to recur.

A first step, hardly unusual or daring, is to define genocide clearly as an international crime. The Genocide Convention does just that. All nations who ratified the treaty have made their opposition to the crime quite clear; 85 countries have ratified the treaty so far. Our inaction for these past 22 years is both puzzling to the world community and damaging to our moral credibility.

Both the American Bar Association and the American Civil Liberties Union have affirmed the constitutionality of the convention. The treaty would not infringe upon U.S. sovereignty.

Most importantly, the genocide treaty would obligate the contracting nations to enact legislation providing penalties for the crime of genocide, whether committed during peace or war. It would be a slow process, not foolproof, but a beginning declaration of man's intolerance of this travesty.

Philip Friedman's work forces us to remember the horror, and to see it clearly. Ratification of the Genocide Convention would be a worthy result of such reflection.

RECOGNITION OF SENATOR DOMENICI

The PRESIDENT pro tempore. Under the previous order, the Senator from New Mexico (Mr. DOMENICI) is recognized for not to exceed 15 minutes.

S. 621—WATER RESOURCES REFORM

Mr. DOMENICI. Mr. President, 2 years ago, the senior Senator from New York (Mr. MOYNIHAN) and I introduced S. 1241, legislation that would have restructured the national approach to water resources development and the policy behind that rather fractured program.

The Committee on Environment and Public Works last year reported out of committee a scaled-down version of that legislation as title II of S. 1641. That bill, however, never came to debate on the Senate floor.

Today, we are reintroducing a bill which is essentially the same as S. 1241. The need for action on our bill is even more acute now than it was 2 years ago. Many areas of the Nation confront the danger of serious droughts this summer. It has been 5 years since Congress acted on omnibus water resources legislation. There have been practically no new starts of water projects in that time. The scope of the program continues to shrink; spending on construction projects of the Corps of Engineers is half of what it was a decade and a half ago in real dollars. Behind it all looms a backlog of $30 billion in unbuilt projects.

My colleagues know well the frustrations they face when confronted with a water resources need in their State. It takes a generation—26 years—to move a typical corps project from the point when the study is authorized to the time construction begins, and then construction may take another decade.

Just this week, a top corps official testified before our Public Works Committee and told us that the project to deepen Norfolk Harbor to accommodate deep-draft coal vessels would not be completed until 1989, under existing processes.

I repeat: There is a great deal of enthusiasm to get on with modifying our port systems so we can accommodate deep draft ships, to ship coal to countries of the world that want to contract with America. And I repeat: The general in charge of civil works for the Corps of Engineers told us that under present procedures, if all systems were go, it would take until 1989 for all of the work to be completed at the most appropriate port for renovation, Norfolk. And that is for a project on which the studies are nearly complete and for which there is general support. General Heiberg's caveat was that the corps would make it by 1989, so long as everything—everything—fell in place: Not a day of authorization or funding delays, no problem with getting the necessary dredging equipment or contracts, no problem with spoils disposal, and so on.

I think everyone in this body would say that is outrageous. I am not blaming General Heiberg. I am not blaming the corps. It is the process we are addressing today in our new bill, our approach to reform in water policy for this country.

But it is also a litany that sweeps our land. Who in the Senate can say that his or her water problems were met in a timely manner? Who can say that the work of the corps or the Water and Power Resources Service is going well?

But look at the mammoth problems our current system must resolve. In my area of the Nation, we have a giant underground aquifer known as the Ogallala. It stretches across six States, serving as the water supply for 180 counties, and helping to slake the thirst of 40 percent of our Nation's beef cattle. To meet this need, it is being depleted by 14 million acre-feet of water yearly. And we are just now studying the issue. Can we expect our present, ad hoc system to meet the needs of the Ogallala area? I hope so. But the track record is not encouraging.

Such problems are becoming even more critical as time continues to burden the current system. This Nation must resolve these problems if we are to have an effective water resources program to meet the challenges of the final fifth of this century. We must resolve these difficulties and rebuild public confidence in the Federal Government and in its water resources program. The challenges are numerous.

Senator MOYNIHAN and I are today introducing legislation which we believe will overcome many of these problems. Briefly, the bill accomplishes four goals.

First. It sets up a method for automatically studying water needs identified by the States and then to authorize projects that the State and Federal agencies develop;

Second. It establishes a system of grants to the States for their use in priority projects to be built by Federal agencies, using Federal designs, with 75 percent Federal money, 25 percent non-Federal;

Third. It creates a system to deauthorize old, unneeded projects; and

Finally, it sets up a special national category of regional, interstate projects that will be built by the traditional methods, at Federal costs, with total congressional oversight and determination. This is likely to be focused on major navigational projects, as well as major water supply projects.

This bill establishes a system of block allocations among the States, giving them the opportunity to select which projects, on a priority basis, should go forward within their States. Those projects not selected are eventually deauthorized. The result: A focus once and for all on the priority projects seriously needed by our Nation.

The bill also establishes a system for automatically authorizing new projects that have been studied by the Corps of Engineers and other Federal water resources agencies. This eliminates the protracted congressional reviews now delaying consideration.

Mr. President, under the current system, the congressional review process causes many serious delays in the planning and construction of a water project. For the average project, there is a total lagtime of nearly a decade while studies wait to be funded, projects wait to be authorized, and construction awaits appropriations. This bill also seeks to reconcile the 160 or so different cost-sharing arrangements in the water resources program of this country, placing all of those that are not national in nature on a basis of a 25-percent local cost sharing.

How we develop a rational program which commands the confidence of the public, a program that meets the needs of this country and the growing water shortages, may be the major resource issue of the 1980's. It is not an exaggeration to say that we may face a disaster unless we take the initiative in seeking new and innovative approaches that make certain we are building priority projects across this land.

As chairman of the Budget Committee, I am well aware that we lack unlimited resources for water development projects, or any other necessary program. We are, therefore, limiting the authorization in the bill for construction in fiscal year 1983 to $2.5 billion, approximately the present level of construction funding for water development projects. While I am convinced that the funding level for water projects must increase during this decade, we must also recognize that spending will be limited early in that period. But the process we are proposing will lead to better, more effective projects, and I am certain we will be able to make a case—a strong case—for higher funding levels.

I believe that the approach in this bill is more likely than any other to assure that projects will be of consistently high quality and to assure that the money is spent wisely.

I hope that my colleagues will take the opportunity to examine this bill with care, to see if it merits their support and even cosponsorship. I know that our Subcommittee on Water Resources, under the leadership of Chairman ABDNOR, will delve seriously and carefully into the entire issue of water resources in the coming months. I urge that the subcommittee give this approach, or variations upon it, its most careful review.

I should add that Senator MOYNIHAN and I know now, as we stated 2 years ago, that our approach may not represent a complete and final answer to the water resources problems of our country. It may merit perfecting. It may merit changes in the way we identify regional projects outside the scope of the State selection process. But I continue to believe that it represents a sound starting point for discussion. It is evident to me there will be little likelihood we will see another omnibus water resources bill until we confront the difficult and serious needs to reform the policies under which this program goes forward.

I believe that this approach to water resources development—moving the decisions out of Washington and back to the States—fits perfectly into President Reagan's philosophy. The water resources program represents a prime candidate for the kind of program that can be managed more effectively at the State level. Any program where it takes 26 years, on average, to get a project under construction, where a $30 billion backlog exists, and where a decline in real spending has occurred, is clearly a program in trouble.

I firmly believe that the only way we are going to have adequate water resources development is to change that program. And change must encourage priority work, it must make sure that the local people who benefit offer a reasonable commitment of their own to that work, and it must make sure that a project can be moved on to early completion. This bill seeks to enact such a program. It will not turn the Water Resources Council, or a successor, into a new water czar, but designates the Council to serve as a recordkeeper for the decisions and priorities made by the States.

Mr. President, I ask unanimous consent to have printed in the RECORD an outline of the Domenici-Moynihan National Water Resources Policy and Development Act of 1981, an analysis of the role of the WRC in this process, and the text of the bill.

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

OUTLINE OF THE DOMENICI-MOYNIHAN NATIONAL WATER RESOURCES POLICY AND DEVELOPMENT ACT OF 1981

Creates a new funding and project-selection system, transferring most responsibility for project selection to the states.

Allocates $2.5 billion in F.Y. 1983 (rising gradually to $4 billion in F.Y. 1988) among the states. This money is available only for Federally designed projects already authorized or which would be authorized in the future.

Establishes a flat 25 percent local cost-share on all water resources projects, replacing the 160 or so current cost-sharing systems.

The Federal funds are allocated to the states on a formula based half on land area, and half on population.

New projects can be authorized automatically, if the State and the Federal agencies agree.

A benefit-to-cost ratio greater than one is not required for projects built under the program, if the State decides the project has other important benefits and merits priority action, within its set allocation of funds.

The types of projects eligible for Federal participation is expanded to include water supply and renovation, desalination, and dam safety.

Creates a new category of regional projects that would be funded directly by the Federal Government, selected by Congress. Only 10 projects of this type could be under construction at one time.

Studies of new water resources projects are authorized at State request, and undertaken according to a separate state priority list. $150 million is available annually for studies, with states putting up 25 percent of the cost.

The program covers work of the Army Corps of Engineers, the Water and Power Resources Service (formerly the Bureau of Reclamation), and the Soil Conservation Service.

The Water Resources Council, or a successor, will evaluate future water needs.

THE ROLE OF THE WRC

Our earlier versions of this bill raised fears among some groups and persons that the bill secretly transferred great power to the Water Resources Council, to the detriment of the Congress, the States, and the water resources program.

That simply is an inaccurate reading of the bill. If the Federal Goverment is to be involved in water resources development, some Federal agency must disperse these Federal funds and perform other processing services for the legislation.

I believe it would be helpful to provide my colleagues with a brief outline of the role of the WRC, or a successor agency, under our bill.

ROLE OF THE WRC

The WRC would transfer to the Corps, WPRS, or the SCS a state request for a study of a water need. This is an automatic referral.

The agency would then make the study, and, if the agency and the state agree a project is needed, it is *automatically* authorized.

If the state opposes the project, the project *cannot* be authorized.

If the Federal Government opposes it, and the state approves, the project is sent to WRC. If the WRC agrees with the state, the project is automatically authorized. If the WRC agrees with the Federal Government that the project should not be authorized, then the project is sent to Congress for review and possible authorization.

If an adjacent state disapproves of a project supported by the state and the Federal Government, then the project goes to Congress for review and possible authorization.

If the project is to be one of the major regional projects, then it must go to Congress for authorization *and* appropriation, as is currently the procedure.

The WRC also must review the annual state priority list, but it can only reject it (and send it back to the state) if the state failed to have a public hearing on the list; there is no other authority for the WRC.

The WRC distributes the annual construction allocation, but this is automatic, and based on a Congressional formula—half land, half population.

Thus, the WRC has no substantive role in the program, only a procedural one with Congressionally mandated deadlines. The role of the agencies (the Corps, WPRS, SCS) is preserved.

The bill does lessen the role of the Congress, with much of that responsibility transferred to the states and their governors.

THE ROLE OF CONGRESS

Establish annual funding levels.

Decide whether to authorize projects in dispute when the agency opposes a project, or when an adjacent state opposes it.

Select individual major regional projects and fund those regional projects on a line-item basis.

Establish the objectives by which the Federal agencies plan water projects. In addition to national economic development and environmental quality, this includes regional economic development and social welfare.

Our purpose in lessening the role of Congress is because the present system isn't working—too many delays, too little state participation. While we obviously are open to alternative suggestions, we do believe that our approach will create a workable program, quite similar to the one for highways, where Congress establishes basic goals and funding levels, then leaves the details of project design and selection to the states and the line agencies.

S. 621

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Water Resources Policy and Development Act of 1981."

TITLE I

CONGRESSIONAL FINDINGS

SEC. 101. (a) The Congress finds that development of important and necessary water resources projects and the wise expenditure of Federal funds has been frustrated by increasing delays in the implementation of Federal water resources programs. The Congress finds further that it takes, on average, twenty-six years from the time that planning of a typical water resources project is authorized until the initiation of its actual construction, and that such delays are caused by a variety of factors, including the lack of expeditious congressional action, as well as the failure of the Federal Government and the States to establish an effective system to develop priorities which determine those water resources projects most needed for the development of the national economy.

(b) The Congress, therefore, declares that the Nation's water resources development will operate more effectively and efficiently when projects are developed in accordance with a system of Federal and State priorities, and administered with an increased degree of State participation.

(c) It is, therefore, the purpose of this Act to establish and encourage a cooperative Federal-State program to solve water resources problems throughout the Nation, providing the State with greater responsibility for establishing priorities and timing projects, while maintaining reliance on the technical expertise and financial assistance of the United States and its water resources agencies.

FEASIBILITY STUDIES

SEC. 102. (a) Each State shall periodically review the water resources needs of such State, including the need for specific projects in such State, and may submit requests to the Water Resources Council (hereinafter referred to as the "Council") for detailed studies of specific, identified water resources needs and problems within such State or its region. The Council shall, within fifteen days of receipt of any such request, publish notification of such request in the Federal Register and transmit such request to the appropriate Federal water resources agency or agencies, and such transmittal shall be deemed to be authorization for such study.

(b) In addition to the requests under subsection (a) of this section, each State shall, no later than July 1, 1982 submit to the Council a list of those studies that were authorized prior to the date of enactment of this Act, but which have not been initiated or completed as of July 1, 1982, and which such State finds are necessary to meet identified water resources needs and problems in such State or region.

(c) For any feasibility study submitted or listed as a result of subsection (a) or (b) of this section, as well as any other studies previously authorized, each State shall, after public hearings, submit to the Council, no later than August 1, 1982, and annually thereafter, a list of those studies, in order of priority, which such State wishes to have undertaken or completed by the appropriate Federal water resources agencies. Within the funds available under this section the appropriate Federal water resources agencies shall make detailed evaluations of specific water resources needs or problems, analyze alternative solutions, determine the most effective and desirable solution to such need or problem, and determine whether such solution or solutions should be recommended for the implementation. The Federal water

resources agency shall take into account the requirements of any affected interstate compact relating to water use and any relevant court decrees. No studies of a specified and identified water resources need or problem shall be eligible for funding after September 30, 1982, except as provided by the terms of this section or section 106 of this Act.

(d) Before any Federal water resources agency may initiate, under the terms of this section, any study which had not been commenced prior to enactment of this Act, the Council must receive from the appropriate Governor or Governors of the State or States in which implementation is likely to occur, or other non-Federal body, an agreement that such State, States, or non-Federal body will pay 25 per centum of the cost of such study upon its completion.

(e) Once a study is initiated under the terms of this section, the appropriate Governor or Governors shall appoint one or more employees of such State or States, up to a total agreed to by the appropriate Federal water resources agency or agencies, who shall work in coordination with the appropriate Federal water resources agency or agencies in the formulation and development of such study. Such State or States shall be reimbursed out of funds authorized by this section for the salary and services of the person or persons appointed under this subsection.

(f) Any Federal water resources agency may contract with a State or States for the preparation of a study under this section.

(g) At the conclusion of any study under this section, the Federal water resources agency or agencies shall, as soon as possible, submit a detailed report on such study to the Council, together with the specific recommendations of that agency or agencies regarding whether or not a project should be implemented, together with certification by the appropriate Governor or Governors that implementation of the project described in such study would be desirable, needed, and entitled to priority consideration within such State or States.

(h) To the extent practicable and reasonable, Federal and State agencies shall attempt to complete any study under this section within three years of its initiation, and shall consolidate hearings and studies required by law in order to expedite completion of any study under this section.

(i) To the extent practicable and reasonable, the Council shall seek to assure that expenditures under this section are allocated among the States on the same basis as the funds are allocated under section 104 of this Act, and meet the priorities established by each State under subsection (c) of this section.

(j) For the purposes of undertaking feasibility studies under this section, there is authorized to be appropriated to the Council, for distribution among appropriate Federal water resources agencies, $150,000,000 for the fiscal year ending September 30, 1983, and each fiscal year thereafter.

PROJECT AUTHORIZATION AND CONSTRUCTION

SEC. 103. (a) Each state shall schedule public hearings at least once a year to review projects and proposals for water resources development that merit priority consideration. Following such hearings, each state shall develop a priority list for those water resource needs and projects that are to be studied and implemented, and submit such list to the Council by July 1, 1982, and annually thereafter. Each such list shall be published by the Council in the Federal Register, and shall be utilized to establish the order and rate of funding for such projects.

(b) In considering projects for the priority list required by subsection (a) of this section, each State shall consider the needs for alternative water sources or projects in such State, and the need to assure widespread benefits for any proposed project.

(c) The list submitted by a State under the terms of subsection (a) of this section shall be deemed to be approved within sixty days of its submission to the Council unless the Council finds that such list was developed without an adequate and full opportunity for public hearings and participation. In the event the Council finds the list was developed without an adequate and full opportunity for public hearings and participation, the Council shall immediately notify such State, which shall conduct such hearings and submit a new list as soon as practicable. No funds under this section shall be available for expenditure in any State until a priority list for such State has been submitted and approved.

(d) Within thirty days of the submission of a study report, as required by section 102 of this Act, the Council shall publish in the Federal Register a summary of the project described in such report, together with the recommendations of the Federal water resources agency and the certification of the Governor or Governors. Ninety days after such publication, the project described in such report shall be deemed authorized for implementation under this title, and eligible for inclusion on a State's priority list for implementation under the terms of section 104 of this title, and eligible for funding utilizing moneys authorized by section 104 of this title.

(e) Notwithstanding the provisions of subsection (d) of this section, any project report involving implementation of a project in one State, where the Governor of another State in the affected watershed objects in writing to the Council within ninety days after the publication in the Federal Register required in subsection (d) of this section, and shows that such project would adversely affect the quality or quantity of water available in such other State, such study report shall, within sixty days of the receipt of such objection, be transmitted by the Council to Congress. Implementation of the project described in any study report so transmitted to Congress may only be authorized by an Act of Congress.

(f) Notwithstanding the provisions of subsection (d) of this section, any study report shall require the approval of the Council if the Federal water resources agency or agencies recommend against the implementation of the project described in such study, and the Council shall, if it approves implementation of the project described in such study report, publish a summary of the project described in such report in the Federal Register, as provided by subsection (d) of this section. Should the Council fail to act on a study report within one hundred and eighty days of the receipt of such report, implementation of the project described in such study report shall be deemed authorized for the purposes of this title. Whenever the Council sustains the recommendations of a Federal water resources agency or agencies against implementation of a project described in such study report, the Council shall transmit such recommendation and the study report to Congress within thirty days. Implementation of the project described in any study report so transmitted to Congress, may only be authorized by an Act of Congress.

(g) Any project that was under construction at the time of enactment of this Act may, at the discretion of the Governor or Governors of the State and States in which such project is located, become eligible for funding under the terms of this section.

(h) Any project to be constructed using funds authorized by this section shall be designed according to principles and standards established by the Council, incorporating regional development benefits and other social effects, and may be constructed, notwithstanding the computation of the project's national economic benefits and costs, so long as such project is on a State's priority list under the terms of subsection (a) of this section.

(i) For the purposes of the construction of projects to be undertaken under the terms of this section, there is authorized to be appropriated to the Council for allocation under the terms of section 104 of this title, the sum of $2,500,000,000 for the fiscal year ending September 30, 1983, $2,800,000,000 for the fiscal year ending September 30, 1984, $3,100,000,000 for the fiscal year ending September 30, 1985, $3,400,000,000 for the fiscal year ending September 30, 1986, $3,700,000,000 for the fiscal year ending September 30, 1987; and $4,000,000,000 for the fiscal year ending September 30, 1988, and for each fiscal year thereafter, with such sums to remain available until expended: *Provided*, That the cooperating State, or States jointly, or other appropriate non-Federal body, agree to pay, or contribute in kind, 25 percentum of the cost of constructing such project, and 50 per centum of the cost of efficiently operating and maintaining such project upon its completion.

(j) The non-Federal contribution on projects authorized prior to the date of enactment of this Act to be constructed under the terms of this section may, at the discretion of the non-Federal interests, be contributed over the life of the project, including a reasonable rate of interest to be determined by the Council, and revenues received by the United States as a result of the sale of water or other benefits produced by such project shall be available for use toward computing a portion or all of such non-Federal payments.

(k) Whenever a project provides electrical power, municipal and industrial water, or other revenue-producing benefits, revenues from the sale of such benefits shall, on those projects where the non-Federal interests contribute their share at the time of construction of such project, be shared between the contributing non-Federal interests and the participating Federal agencies on the basis of that percentage contributed by each entity toward the project's construction costs and its operations and maintenance. Revenues received by the Federal Government as a result of the preceding sentence shall be deposited in the Treasury. Revenues repaid directly to the non-Federal interests under this section shall be available to such interests for any purpose.

(l) For the purpose of protecting human life and property, projects that were authorized prior to the date of enactment of this Act for the stated purpose of the elimination of hazards and failure of dams shall be subject to the cost-sharing described in such authorization.

(m) Any project whose purpose is to provide for municipal and industrial water supply may be implemented by the appropriate non-Federal interest in consultation with the Corps of Engineers.

STATE ALLOCATION

SEC. 104. (a) Beginning in the fiscal year that ends September 30, 1983, sums authorized to be appropriated pursuant to section 103 of this Title shall be allocated by the Council among the States at the beginning of each fiscal year in accordance with regulations promulgated by the Council, one-half in the ratio that the population of each State bears to the population of all of the States, and one-half on the ratio that the area of

each State bears to the area of all States: *Provided*, That no State shall receive less than one-third of 1 per centum of the sums allocated annually among all the States: And *provided further*, That the sum of $100,000,000 or 3 per centum of the funds appropriated pursuant to section 103 of this Title, whichever is the lesser, shall be allocated annually to the State of Alaska.

(b) Sums allocated to a State under subsection (a) of this section shall be available for obligation on and after the date of such allocation, provided such State meets the requirements of section 103(c) of this Title. Such sums shall continue to be available for obligation in such State for a period of three years after the close of the fiscal year for which such sums are authorized. Any allocated sums which have not been obligated by the end of such three-year period shall be reallocated by the Council on the basis of the ratio used in making the original allocation of sums under this section. Any sum made available to a State by reallocation under the preceding sentence shall be in addition to funds otherwise allocated to such State for grants under this Title during any fiscal year.

DEAUTHORIZATION

SEC. 105. Any project authorized for construction prior to enactment of this Act, but on which no construction has begun within five years following the date of enactment of this Act, shall cease to be authorized five years after the date of enactment of this Act unless such project has been placed on the priority list of the appropriate State or States, and such project can reasonably be expected to receive construction funding within the succeeding five years, or unless such project is included under the terms of section 106(b) of this Title.

SPECIAL REGIONAL PROJECTS

SEC. 106. (a)(1) As a result of its review under section 109 of this Title, or other information made available to the Council, the Council may direct the study of water resources projects that, in the view of the Council, have or are likely to have a national significance and priority. The Council shall direct that such studies be undertaken by the appropriate water resources agency or agencies.

(2) By concurrent resolution, Congress may direct the Council to initiate a study under the terms of paragraph (1) of this subsection.

(b) From among projects authorized prior to the enactment of this Act, the Council shall, within six months of enactment of this Act, select up to ten projects of a regional character that have national significance and priority. Upon the listing of a project under the terms of this subsection, such project shall be eligible for funding by direct appropriation of Congress without regard to the terms of section 103 of this title, or the limitations of subsection (f) of this section.

(c) Projects constructed under the authority of this section must produce national economic benefits that exceed the cost of such project, using a reasonable rate of interest as determined by the Council.

(d)(1) Projects studied under the terms of subsection (a) of this section, if subsequently authorized specifically by the Congress, and projects listed under the terms of subsection (b) of this section, shall be constructed at full Federal cost, provided that once the project is available for utilization, the users or beneficiaries of such projects shall pay a fee, as the Council or law may require, that is designed to recover all or an appropriate percentage of the project's cost, with interest, during the project's anticipated life, together with its cost of operation and maintenance.

(2) The Inland Waterways Trust Fund established by title II of Public Law 95-502 shall be available to repay costs under the terms of paragraph (1) of this subsection for projects authorized for the purposes of commercial inland navigation.

(e) There is authorized to be appropriated to the Council $20,000,000 for the fiscal year ending September 30, 1983, and for each fiscal year thereafter, for feasibility studies of regional water resources projects that have a national significance and priority. No more than fifteen such projects of national priority shall be under study and design at one time, while no more than ten such projects of national priority shall be under construction at one time.

(f) While projects under this section may be constructed wholly within one State, such projects must provide benefits significantly affecting two or more States, and receive the approval of the Governors of such States.

OPERATIONS AND MAINTENANCE

SEC. 107. For the purposes of operating and maintaining facilities of water resources agencies that are in existence at the time of enactment of this Act or are constructed under the terms of this Act, the sum of $1,000,000,000 is authorized to be appropriated for the fiscal year ending September 30, 1983, and annually thereafter to the Council for distribution to the appropriate water resources agencies.

CLARIFICATIONS

SEC. 108. (a) Nothing in this Act shall alter the requirements of the National Environmental Policy Act (42 U.S.C. 4343) the Fish and Wildlife Coordination Act (16 U.S.C. 661), or the Endangered Species Act (16 U.S.C. 1530 et seq.).

(b) Projects authorized as a result of enactment of this Act shall incorporate the conservation of water.

STUDIES

SEC. 109. (a) The Council, after public hearings and in consultation with the States, shall:

(1) Make a detailed estimate of needs and costs regarding (A) the national priorities for water resources management through the year 2000, together with an estimate of the needs for cost-effective implementation of projects throughout the Nation by the year 2000, (B) the needs, over a twenty-year period, in each State for water resources projects, and (C), in cooperation with the Office of Water Research and Technology, a study of the best ways to achieve the maximum efficient use of water supplies from existing Federal projects; and

(2) A review of present cost-sharing mechanisms for water resources projects, including any changes adopted subsequent to the enactment of this title.

(b) There is authorized to be appropriated to the Council the sum of $5,000,000 to carry out the purposes of this section.

(c) The Council shall transmit the studies authorized by this section to Congress no later than January 1, 1984.

DEFINITIONS

SEC. 110. As used in this Act:

(a) The term "water resource agencies" means the United States Army Corps of Engineers, the Water and Power Resources Service, and the Soil Conservation Service;

(b) The term "project" means any publicly owned water resources facility, device, system, or non-structural management plan designed for flood protection, erosion control, reclamation (including renovation of existing works), hurricane protection, municipal and industrial water supply (including renovation of existing works), navigation, power generation, saline water conversion, water-based recreation, dam safety, sediment control, water conveyance, or related water purposes undertaken by a water resources agency;

(c) The term "conservation of water" shall include methods to store water and to reduce water loss;

(d) The term "Governor" shall include any official or body under State law with responsibility for water resources in such States.

(e) The term "Water Resources Council" means the Water Resources Council, or any agency to which the responsibilities of the Council, as defined by law as of January 1, 1981, may be subsequently transferred.

TITLE II

WATER RESOURCES PLANNING ACT AMENDMENTS

SEC. 201. The Water Resources Planning Act, as amended (42 U.S.C. 1962 et seq.), is further amended by deleting section 101 and inserting in lieu thereof the following:

"SEC. 101. There is hereby established an independent Water Resources Council (hereinafter referred to as the "Council"), which shall be composed of nine members, including the Secretary of the Army, the Secretary of the Interior, the Secretary of Agriculture, and the Administrator of the Environmental Protection Agency, plus five members chosen by the President, with the advice and consent of the Senate, for their demonstrated interest and expertise in water resources development. The chairman of the Council shall be designated by the President from among those members selected by him or her. The five members selected by the President shall be compensated at the rate for Level III of the Executive Schedule under section 5313 of title 5, United States code, except that the Chairman shall be compensated at the rate for Level II. Actions of the Council shall be approved by a majority vote of the members."

SEC. 202. (a) The Water Resources Planning Act, as amended, (42 U.S.C. 1962 et seq.), is further amended by inserting after the present section 105 a new section 106 to read as follows:

"SEC. 106. (a) There is hereby established a State Advisory Committee (hereinafter referred to as the 'State Committee') which shall be composed of five members.

"(b) The Chairman of the Council shall appoint the Chairman of the State Committee from persons recommended by the governing body of the National Governors' Association for a term of not more than four years. The Chairman of the State Committee shall not represent a specific State or regional interest, but shall demonstrate an understanding of the Nation's water resources problems. The Chairman of the State Committee shall be compensated at the rate for level V of the Executive Schedule under section 5316 of title 5, United States Code.

"(c) The remaining members of the State Committee shall be selected jointly by the Chairman of the Council and the Chairman of the State Committee from persons recommended by the governing body of the National Governors' Association to provide for broad national representation in the area of water management. Attention shall be given to balancing of regional interests in the selection of the Committee.

"(d) When authorized by the Chairman of the Council, the travel and other expenses of participation as members of the State Committee may be reimbursed by the Council.".

Mr. DOMENICI. Mr. President, I yield to my good friend from New York.

The PRESIDING OFFICER (Mr. SPECTER). The Senator from New York is recognized.

Mr. MOYNIHAN. Mr. President, I thank the distinguished chairman of the Budget Committee and the man whose

indefatigable concern for this area of national policy is responsible for the legislation that I have the honor to join with him in introducing today.

Mr. President, on May 24, 1979, my distinguished colleague from New Mexico (Mr. DOMENICI) and I introduced a bill to improve our national water program. The National Water Resources Policy and Development Act of 1979, S. 1241, was pronounced by some as radical and by others as outrageous. But, I might add, the bill was also viewed as a refreshing and creative approach to a national program that at best can be described as stale and stagnant. Now, national economic and political circumstances have changed since 1979 we find that the continuing failure of our water program remains with us.

It is therefore with the greatest sense of hope that I once again find myself at the Senator from New Mexico's side to introduce the National Water Resources Policy and Development Act, this time of 1981. Our new bill is in most respects identical to our original bill. However, we have made several changes that we believe strengthen our attempt to improve the method by which water resources are developed in our Nation.

Before I describe these changes I might first invoke the wise words of an engineer and inventor on the subject of water, Leonardo daVinci said:

> Remember when discoursing about water, to adduce first experience and then reason.

It may be worth recalling what our national experience has of late been in water resources. It is a chaotic and idiosyncratic system of economic and resource development, producing a random array of benefits more responsive to the vagaries of seniority in the U.S. Congress than anything else.

Our current program also suffers from its failure to include the entire Nation. From legislation borne out of an interest to develop hitherto undeveloped regions of our continent, we in the older regions now find ourselves victims of our own tradition. We are told our water needs do not mesh with the national purpose. In the period from 1950 to 1976, the Northeast received slightly more than 6 percent of the cumulative national water resources funds spent by the Corps of Engineers and the former Bureau of Reclamation—now the water and Power Resources Service. The West received over 48 percent, the South 28 percent and the North Central region 18 percent. This is our experience.

Now, reason. Our bill brings to water resources development a concept which is, I think, deeply sensitive to the uses of federalism: The capacity of States to know best what they most need, and the capacity of the Federal Government to look to national interests and the sharing of costs.

Our bill would create a uniform, national system by which water projects can be approved and undertaken, while at the same time allowing for the full consideration of all the questions that must be answered in the approval of each initiative. The bill would change the current practice of authorizing and appropriating water resources funds to States on a project-by-project basis, that has no relation whatever to national policy, and which, indeed, makes national policy impossible. Instead, funds would regularly be appropriated on the basis of population and land area. States would be required to match these funds on a 75-percent Federal, 25-percent State basis regardless of the types of project and could choose to spend their allocation on whatever feasible projects are of most importance to them. Current restrictions on Federal funding, such as those placed on single purpose water supply projects, would be eliminated to give the States more flexibility in addressing those pressing needs that previously have gone unmet.

The section-by-section analysis which accompanies my statement explains the procedures by which the States would select their projects, funds would be allocated among the States, and the costs of such projects would be shared between the States and the Federal Government. There are, however, several particular points which I would like to explain further.

First is the matter of the formula by which funds are allocated among the States. As in our original bill, the allocation is based on land area and population. We are not satisfied with this formula because of its failure to take into account water needs, diverse as they may be from one State to another. However, we have yet to see a better formula. We continue to look and are most open to suggestions. It is our hope that over the next few months our allocation formula will be refined.

Second is the matter of navigation. Many have questioned the wisdom of including both inland navigation and coastal harbors in a State-based development program. Their point is that such navigation projects frequently have economic effects far beyond the borders of a single State. Our bill does provide the opportunity for Governors of neighboring States to both review and if justified reject a State's project. The bill also affirms the need for continued Federal support for projects of a regional and national character.

Nonetheless, there is a great interest in developing and expanding coastal ports capable of handling the expected increase in the export of steam coal. Harbor deepening projects have been estimated to cost between $100 million and $400 million a piece. Clearly such projects are beyond the scope of intrastate projects for which our bill is best suited. It is my conclusion that the particular nature of navigation development suggests that it should be treated in separate legislation. However, until agreement is reached on the nature of such legislation and the corresponding adjustments made in our allocation formula, we shall leave navigation projects in the bill. We simply wish to make it understood that our intention is to devise a more appropriate Federal policy toward construction and maintenance of large inland and coastal navigation projects.

A third point I wish to make is our desire to place water management and conservation solutions to water problems on an equal footing with structural, capital-intensive solutions. We explicitly state that to the extent possible projects should incorporate the best available techniques for water conservation. Furthermore, we include nonstructural management plans in our definition of a water resources project.

My final point concerns the applicability of the National Water Resources Policy and Development Act to water supply problems faced by many community and urban water systems. The Federal Government has by tradition not assisted in the development of single purpose water supply projects, single purpose being somewhat of a misnomer for municipal and industrial water supply. On the other hand, the Federal Government has without apparent hesitation included municipal and industrial water supply in multipurpose reservoir projects constructed by both the Army Corps of Engineers and the Bureau of Reclamation. Indeed, in 1958 the Congress passed the Water Supply Act (Public Law 85-500) which firmly established the Federal policy on this matter.

The act required the non-Federal interests to repay the Federal Government over a 50-year period following the completion of the project, at an interest rate set by the Secretary of the Treasury. Since the passage of the 1958 act, the Corps of Engineers has spent a total of $576 million and the Water and Power Resources Service a total of $763 million on municipal and industrial water supply. Only $13.4 million was spent in the New England region and $20.8 million in the North Atlantic region. Compare this to $214.3 million spent in the Southwest by the Corps of Engineers alone.

As of 1977, water and power resources service projects were supplying 18,244,000 persons with drinking water equaling 825.2 billion gallons of water annually. That is the equivalent of supplying water to the cities of New York, Boston, and Providence combined. And this was done by the Federal Government. The central Arizona project now under construction will annually supply the cities of Tucson and Phoenix with 166 billion gallons at a cost of approximately $600 million, which is about 35 percent of the total cost of the reclamation project.

The one piece of legislation that supports our claim for equity has never been implemented. Title I of the 1965 Rivers and Harbors Act (Public Law 89-298) stated:

> Congress hereby recognizes that assuring adequate supplies of water for the great metropolitan centers of the United States has become a problem of such magnitude that the welfare and prosperity of this country require the Federal Government to assist in the solution of water supply problems.

These words were written in 1965, the last time the Northeast suffered from a prolonged and debilitating drought. Sixteen years later we find ourselves in much the same circumstances.

Although all water utilities would like to operate on the principle that their systems are to be self-sustaining enterprises, it is a fact that the water utility industry is the most capital intensive of

all the utilities. Furthermore, it is a regulated industry where rates are set not just on the basis of the cost of delivery but also according to political and financial constraints set by State utility commissions.

Arguments raised against the inclusion of municipal and industrial water supply frequently concentrate on the issue of whether the Federal Government should assist cities and towns in operation and maintenance, with rehabilitation erroneously being classified as regular maintenance. Take, for example, the case of New York City's third city water tunnel. We are talking about an extraordinarily large cost for increasing the reliability and operational flexibility in the city's water delivery system, a cost I might add comparable to the municipal and industrial water supply component of the central Arizona project. This is not maintenance. I should further add that no one is suggesting a Federal grant program. We are asking for terms no more generous than that now extended to water supply from multipurpose projects under the 1958 Water Supply Act. This is what I mean by equity.

For myself and the Senator from New Mexico, who has shown an exquisite sensibility in these matters, we invite those concerned with the environment and with the economic well-being of our Nation to ask if ours is not a better system, a more rational system, a national system that can bring order, equity, and progress into a field which has been characterized by randomness, waste, and even destruction of natural resources.

Mr. President, I ask unanimous consent to have printed in the RECORD a section-by-section analysis of the Domenici-Moynihan water policy bill.

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

SECTION-BY-SECTION ANALYSIS OF DOMENICI-MOYNIHAN WATER POLICY BILL

The short title of the bill is the National Water Resources Policy and Development Act of 1981.

TITLE I

Section 101. Findings and Intent. Congress finds that existing arrangements for water resources development have led to excessive delay in the implementation of water resources projects. The delay is in part a result of the failure of the Federal and state governments to establish their priority of projects and management plans most needed to further the development of the national economy. It is the intent of Congress to place greater reliance on the states for funding and establishing priorities for water resources development.

Section 102. Feasibility Studies. This section authorizes states to request specific feasibility studies of water resources projects. Each year $150,000,000 shall be distributed among the Federal water agencies to finance the planning, design and engineering of these studies. Before a study is initiated, the non-Federal interest must agree to pay 25 percent of the cost of the study following its completion. The states will also be reimbursed for persons appointed to work with the Federal agency on the study. Any Federal water resources agency may contract with a state or states for the preparation of a study.

The states shall annually submit to the Water Resources Council a list of project feasibility studies in order of their priority. To the extent possible, the Council shall allocate among the states funds for studies on the same basis as funds are allocated for construction. The Federal and state agencies shall attempt to complete studies within three years.

Section 103. Project Authorization and Construction. Each state is required to develop a priority list for water projects each year and submit the list to the Water Resources Council. The list shall be approved in 60 days provided that the Council finds that the list was developed with the benefit of public hearings and public participation.

Projects whose studies were conducted under Section 102 of this Act will become authorized for construction 90 days after the study is approved by the governor of the state. However, if the governor or governors of neighboring states object to the project on the grounds that the project will adversely affect the water quantity or water quality in that governor's state, then the project must receive Congressional authorization. Furthermore, if a project has not been endorsed by the Federal water agency, then the Water Resources Council must first approve the project before such project could be authorized and eligible for funding under this Act.

Projects under construction at the time of enactment of this Act may become eligible for funding under the terms of this section at the discretion of the governor or governors of the state or states. Projects constructed with funds authorized by this section shall be designed according to the principles and standards of the Water Resources Council. Such evaluation shall fully incorporate the estimation of the project's regional development benefits and other social effects. A project may be constructed notwithstanding the computation of the project's national economic benefits and costs as long as the project is on a state's priority list and meets the other requirements of this section.

This section authorizes $2.5 billion in FY 1983, $2.8 billion in FY 1984, $3.1 billion in FY 1985, $3.4 billion in FY 1986, $3.7 billion in FY 1987, and $4.0 billion annually thereafter. Funds allocated to states shall remain available until expended provided the state or non-Federal interest agrees to pay or contribute in kind 25 percent of the cost of constructing such project and 50 percent of the cost of operating and maintaining such project upon its completion.

Revenue produced from projects providing electrical power or municipal and industrial water shall be shared between the non-Federal interest and the Federal agency on the basis of the percentage contributed to the cost of construction and operation and maintenance.

Municipal and industrial water supply projects may be implemented by the appropriate non-Federal interest in consultation with the Corps of Engineers.

Section 104. State Allocation. Funds authorized in Section 103 shall be allocated by the Water Resources Council among the states at the beginning of each fiscal year on the basis of land area and population. No state shall receive less than 0.33 percent and no more than 3 percent.

Funds allocated to states shall remain available for obligation for a three year period, after which the Council shall reallocate the funds according to the original allocation described in this section.

Section 105. Deauthorization. Projects authorized for construction prior to this Act but on which no construction has begun within years following enactment of this Act shall cease to be authorized five years after enactment unless the project is placed on a state's priority list.

Section 106. Special Regional Projects. The Council or Congress, by concurrent resolution, may for the study of such projects. From among previously authorized projects, the Council shall select up to ten projects of national significance which shall be eligible for funding by direct appropriation by Congress without regard to the limitations of this Act. Projects constructed under the authority of this section must produce national economic benefits that exceed the cost of such project using a reasonable rate of interest set by the Water Resources Council.

Projects studied under this section and subsequently authorized by Congress shall be constructed at full Federal cost provided that the users of the projects pay a fee designed to recover all or an appropriate percentage of the project's cost with interest in addition to its cost for operation and maintenance. The Inland Waterways Trust Fund shall be available to repay a portion or all of the costs for commercial inland navigation projects.

Section 107. Operation and Maintenance. This section authorizes $1,000,000,000 annually for the purpose of operating and maintaining water resources facilities.

Section 108. Clarifications. Nothing in this Act shall alter the requirements of the National Environmental Policy Act, the Fish and Wildlife Coordination Act or the Endangered Species Act. Projects authorized under this Act shall incorporate the best available techniques for the conservation of water.

Section 109. Studies. The Water Resources Council shall conduct a number of studies to estimate national water needs and priorities to the year 2000, individual state water needs, and the means by which the most efficient use of water supplies may be made at existing Federal projects. The Water Resources Council shall also review present cost-sharing mechanisms for water resources projects. This section authorizes $5,000,000 for use by the Water Resources Council to conduct these studies. The Council shall transmit the studies to Congress no later than January 1, 1984.

Section 110. Definitions. Water resources agencies include the Army Corps of Engineers, the Water and Power Resources Service, and the Soil Conservation Service.

Water project means any publicly-owned water resources facility, device, system, or non-structural management plan designed for flood protection, erosion control, reclamation (including the renovation of existing projects), hurricane protection, municipal and industrial water supply (including the renovation of existing projects), navigation, power generation, saline water conversion, water-based recreation, dam safety, sediment control, water conveyance, or related water purposes.

TITLE II—WATER RESOURCES PLANNING ACT AMENDMENTS

Section 201. Restructuring of the Water Resources Council. The Water Resources Council shall be an independent body composed of nine members, five of which shall be chosen by the President. One of the five Presidential appointees shall be designated as the chairman.

Section 202. State Advisory Committee. The Chairman of the Water Resources Council shall appoint a chairman of the State Committee from persons recommended by the National Governors Association. The Chairman of the Water Resources Council and the Chairman of the State Council shall select four additional members of the State Council, taking regional balance into account in their selection.

Mr. MOYNIHAN. Mr. President, I shall elaborate only a few further points that my distinguished friend from New Mexico has made.

The first is to say, and I hope the Senate will understand this because it was

a disappointment to us last year when this bill was reported out of our committee that it was never even considered on the floor of this body, this is a bill that responds to a stalemated and failed system of water development in the country at a time of a crisis in water supplies.

The arrangements that have been in place for a century or more or less with respect to rivers and harbors, almost a century with respect to the Bureau of Reclamation, are not working. The system has stopped working, and we have brought forth an alternative that, as we say, is most rational and national, and I think it is a happy circumstance, if I may say, that the distinguished Presiding Officer is the Senator from Pennsylvania, and if I am not mistaken from the eastern section of Pennsylvania, and any visitor to that great city of Philadelphia, among the first sights he sees along the Schuylkill will be the Philadelphia waterworks, a municipal enterprise of great neoclassic splendor down there and great engineering ingenuity, marking the beginning of a water project system of the older parts of our country from the East where water systems were built by municipalities or at most by States, frequently by private enterprises, that continues to this day.

The system by which Philadelphia gets water, the political-economic system, is no different today than it was in the 18th century, and the result is all over the Eastern United States a crisis in an area where there is in fact abundant water but water systems are so decrepit that New Jersey, New York, Boston, Philadelphia, places like that, experience serious drought problems this year.

In the West, which was developed by Federal funds, a system was in place effectively from the time the Bureau of Reclamation was established in 1905, and that system does not work anymore. It does not work. It takes 30 years to find out that in fact you are not going to have the project.

Now there is a crisis here, and we can do without oil but we cannot do without water. We have enough in most parts of the country. We can conserve it in other parts of the country. But we cannot do either without legislation such as Senator DOMENICI and I have introduced.

We are talking to the Senate about a real problem. The Senate last year chose not to hear us and it may do so again this year. If it does, it will be a dereliction of duty larger than any might suppose.

Mr. President, I believe our time may be about to expire. I would simply like once again to thank my distinguished colleague and friend for enabling me to join him in this national legislation.

Mr. DOMENICI. I thank my good friend.

Mr. President, parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOMENICI. How much time does the Senator from New Mexico have?

The PRESIDING OFFICER. Slightly less than 1 minute.

Mr. DOMENICI. Mr. President, I hope everyone understands that the intention here is not to spend more money than we have been spending, at least not for the next few years. What we are trying to do is to get the process, which is not working, off dead center by having a completely new system for prioritizing projects, then letting the States go forward, in exchange for their paying for part of the cost of the projects.

It has been 5 years since a major omnibus water bill became law. The ad hoc approach to picking projects is fraught with problems. It does not prioritize anything. Our bill, I hope, will initiate a dialog that will replace a system that is failing to meet a great problem with a system that stands a far greater chance of meeting the needs of America's future.

S. 620—NEW MEXICO PROJECTS

Mr. DOMENICI. Mr. President, I am today introducing legislation, which authorizes three relatively minor items that affect the water resources needs of the State of New Mexico.

Section 1 of the bill authorizes the U.S. Army Corps of Engineers to construct a flood control project at Albuquerque. Actually, the work would extend the present levee system north and south of the city, not affecting the levees that now exist in the central area of the city. This change would assure against floods with a frequency of once nearly every 300 years.

Within the corps, this proposal is not considered controversial. The project was approved last year by the Subcommittee on Water Resources. In addition, the Congress enacted legislation last year that established the maximum size of the projects to allow local interests to begin to rebuild the existing system of bridges over the Rio Grande.

My proposal, however, may lead to even higher levels of flood protection for the citizens of Albuquerque, as it authorizes the corps to dredge out the Rio Grande channel to increase its capacity to move water past the city. Thus, instead of raising the existing levees, the corps could lower the river bed.

Section 2 of this bill authorizes the storage of water from the San Juan-Chama project in various New Mexico reservoirs. This section would assist the cities of Albuquerque and Santa Fe by providing storage locations for contract water owned by them.

The cities now lack adequate storage facilities, while extra space is available at Abiquiu and Elephant Butte Reservoirs. The city of Albuquerque contracted to store water at the Elephant Butte project in southern New Mexico. The courts, however, held that this contract and storage had not been specifically authorized by Congress. Now that the courts have forced the issue, the cities believe it would also be appropriate to permit further storage at Abiquiu, north of Albuquerque, in addition to small amounts now stored there.

This section authorizes such storage, when the storage does not interfere with the authorized purposes of the projects, such as flood control. Thus, the storage would be allowed only if it proved compatible with authorized project purposes.

This legislation, of course, imposes no cost on the Federal Government. It merely allows the cities to store their water, if the Federal agencies believe that would be appropriate.

Any additional costs for operating and maintaining the projects will be paid by local interests. In addition, this extra water would be available for additional power production at Elephant Butte Reservoir.

I recognize that some may oppose this proposal. But I offer it to provide to the public an opportunity to evaluate and comment on its merits.

Section 3 is a minor item, one which has been approved previously by the Senate, but never enacted into law, as we have failed to pass a full omnibus water resources bill since 1976. This section authorizes $300,000 in extra funds to assure the completion of important archeological recovery work at Santa Rosa Lake.

I send to the desk a bill for myself and Senator SCHMITT with reference to those three projects in my State.

Mr. President, I ask unanimous consent that a copy of the bill be printed at this point in the RECORD.

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

S. 620

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Army, acting through the Chief of Engineers, is authorized to construct a project for flood control in the vicinity of Albuquerque, New Mexico, in conformity with the report of the Board of Engineers for Rivers and Harbors, dated September 14, 1979, at an estimated Federal cost of $33,224,000: *Provided,* That the Chief of Engineers shall further be authorized to increase flood protection through the dredging of the river bed to an elevation lower than existed on the date of enactment of this Act.

SEC. 2. (a) The proviso of Section 2 of Public Law 84-485 shall not be construed to prohibit the storage of San Juan-Chama project water acquired by contract with the Secretary of the Interior pursuant to Public Law 87-483 in any reservoir.

(b) The Chief of Engineers is authorized to enter into agreements with entities which have contracted with the Secretary of the Interior for water from the San Juan-Chama Project pursuant to Public Law 87-483 for storage of a total of 200,000 acre-feet of such water in Abiquiu Reservoir. The agreements to thus store San Juan-Chama Project water shall not interfere with the authorized purposes of the Abiquiu Dam and Reservoir Project and shall include a requirement that each user of storage space shall pay any increase in operation and maintenance costs attributable to the storage of that user's water.

(c) The Secretary of the Interior is authorized to enter into agreements with entities which have contracted with the Secretary of the Interior for water from the San Juan-Chama Project pursuant to Public Law 87-483 for storage of such water in Elephant Butte Reservoir. Any increase in operation and maintenance costs resulting from such storage not offset by increased power revenues resulting from that storage shall be

paid proportionately by the entities for which the San Juan-Chama Project water is stored.

(d) The amount of evaporation loss and spill chargeable to San Juan-Chama Project water stored pursuant to Subsections (b) and (c) of this section shall be accounted as required by the Rio Grande Compact and the procedures established by the Rio Grande Compact Commission.

SEC. 3. The project for Santa Rosa Lake, Pecos River, New Mexico, authorized by section 203 of the Flood Control of 1954 (68 Stat. 1260), is hereby modified to authorize the expenditure of not to exceed $300,000 for the recovery of cultural resource data, in addition to any amounts authorized for this purpose pursuant to the Reservoir Salvage Act of 1960, as amended (88 Stat. 174).

● Mr. SCHMITT. Mr. President, I take a great deal of pleasure in joining with my colleague from New Mexico, Senator DOMENICI, in sponsoring legislation that will resolve some of the water problems confronting our State.

Section 1 of the bill will authorize the U.S. Army Corps of Engineers to undertake a program to eliminate the serious flood threat that exists today because of the condition of the existing levees on the Rio Grande River in an area from Bernalillo to Belen. This would be accomplished by rehabilitating existing levees and where necessary dredging the river bed to acceptable levels.

Section 2 of the bill would authorized the city of Albuquerque to store in various New Mexico reservoirs water to which the city is legally entitled from the San Juan Chama project. Under the present situation, the city is in danger of losing its water rights. This bill would not only protect those water rights but would give additional benefits in the form of providing water for recreational and power-generating purposes at Elephant Butte Reservoirs, thus directly providing economic benefits to the community of Truth or Consequences, which depends a great deal upon the level of water of the lake to support the local economy. The benefits would be accomplished at no cost to the Federal Government as the costs of operating and maintaining the storage program would be paid by the owners of the water.

Section 3 of the bill is aimed at resolving a longstanding problem to complete important archeological recovery work at Santa Rosa Lake.●

RECOGNITION OF SENATOR BAUCUS

The PRESIDING OFFICER. Under the previous order, the Senator from Montana (Mr. BAUCUS) is recognized for a period of time not to exceed 15 minutes.

TAX EXPENDITURES—SOME ADDITIONAL THOUGHTS

Mr. BAUCUS. Mr. President, last week I addressed the Senate on the subject of tax expenditures and their inexplicable exclusion from President Reagan's economic plan. Tax expenditures have become, as we all know, enormously popular. Once enacted, they tend to become firmly entrenched in the tax law and insulated from review.

The C. D. Howe Research Institute in 1979, commented on tax expenditures in this way:

> Tax expenditures have become a regular feature of recent budgets, apparently for two reasons: tax expenditures are politically popular with the business community and a convenient way of helping governments to stay within their expenditure limits because they are recorded as a revenue loss rather than as an expenditure increase.

By quoting this authority, I do not suggest that I am fundamentally opposed to tax expenditures. On the contrary, the tax expenditures mechanism frequently provides an efficient means for solving an economic problem.

I also reiterate my belief that taxes generally should be reduced to help stimulate more savings and investment and to restore lost income to individual taxpayers. I also believe that as we reduce those tax expenditures which are inefficient and unproductive, as many of them are, we will have more income available to enact the targeted and significant income tax reduction that we all talk about so much.

What I do suggest is that tax expenditures should not be immune from serious and critical and frequent review by Congress. They do offer potential for budget control actions.

In that regard, Mr. President, I note that the bill introduced by the Senator from New York (Mr. MOYNIHAN) is a bill aimed at just this purpose: eliminating and reducing a tax expenditure which he views to be unproductive, that is, the commodity straddle, which is exactly what we are talking about.

In my view, tax expenditures are nothing more than the functional equivalent of Federal spending programs. Tax subsidies are becoming ever more prevalent because it is frequently easier to achieve the enactment of a policy through the tax mechanism. Walter Heller understood the appeal of tax expenditures when he testified in 1959:

> The back door to government subsidies marked "tax relief" is easier to push open than the front door marked "expenditures" or the side door marked "loans, guarantees and insurance" . . .
>
> The very groups that use this back door are often among the most insistent advocates of responsible and informed government budgeting. Yet here is a whole catacombs of government benefits which are largely hidden from public view, let alone, periodic review.
>
> Once embedded in the tax structure, the preferential provisions are treated as inalienable vested rights, impervious to changes in tax rates, economic policy, and technology.

Heller's prescient admonishments are as relevant today as they were 22 years ago. His words should help us better understand the frequently perverse characteristics of tax subsidies.

TAX EXPENDITURES—A GROWTH EXPLOSION

Today, I would like to illustrate the phenomenal growth in the tax expenditure budget. This discussion will support my argument that the cuts in spending programs must be matched by simultaneous reductions in tax expenditures.

In describing the rate of increase in tax expenditures, Paul McDaniel, professor of law at Boston College, recently testified before Congress that:

> This hidden growth in the federal budget cannot continue unchecked or Congress will ultimately lose its hard won progress to achieve more effective control over the budget.

Growth in tax expenditures has been explosive. How many of my colleagues know, for example, that the growth in tax expenditures is currently exceeding inflation?

Indeed, depending upon the measure used, tax expenditures are increasing at a rate nearly twice that of inflation.

For example, between 1980 and 1981 alone, tax expenditures rose nearly 20 percent. The Consumer Price Index for that same period was 12 percent, and the GNP deflator—perhaps a better guage of inflation—was less than 10 percent.

Tax expenditures have witnessed a phenomenal growth since the first tax expenditure budget in 1968. Let us look at the figures.

The 1968 tax expenditure budget consisted of just 40 items—that is, there were 40 exclusions, deductions and credits. Today, that list has expanded to over 100 items.

Tax expenditure growth can also be understood in dollar amounts. The tax expenditure budget has grown from $44 billion in 1968 to over $260 billion in fiscal year 1982.

Here is another fact. Since 1975, the revenue losses resulting from tax expenditures are rising faster, 14 percent a year, than direct outlays which are rising at 11 percent.

A RECENT CRS REPORT ON TAX EXPENDITURES

When the Congressional Budget and Impoundment Control Act was amended in 1974, it required, for the first time, that the budget report include estimates of tax expenditures. These estimates permit us to fully appreciate the magnitude of tax expenditure growth.

At my request, the Congressional Research Service prepared an analysis showing the growth in tax expenditures compared to the Federal budget.

Let us look at some of the figures compiled by CRS. Between fiscal year 1974 and fiscal year 1980, tax expenditures exploded by $120 billion, or 162 percent. Even more astounding is that the percentage growth of tax expenditures exceeded both total outlays of Federal funds, which grew by 111 percent, and total income tax receipts, which expanded by 96 percent.

In short, the percentage increase in tax expenditures in any given year is now outpacing the growth in inflation, total income tax receipts, and outlays from Federal funds.

If we are serious about getting Federal spending under control, then we must begin to reverse the trend in tax expenditure growth. Otherwise, control of the Federal budget simply cannot be accomplished. And I ask my colleagues to join with me in calling for an evaluation and reduction of tax expenditures.

Next week I plan to continue my ob-

servations on tax expenditures by discussing the upside-down effects of these subsidies and the options available to Congress and the administration in achieving a modest reduction in the tax expenditure budget.

Mr. President, I ask unanimous consent that the CRS analysis that I recently spoke of be printed in the RECORD.

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

CONGRESSIONAL RESEARCH SERVICE,
THE LIBRARY OF CONGRESS,
February 27, 1981.

To: Honorable Max Baucus.

From: Nonna Noto, Analyst in Public Finance, Economics Division.

Subject: Growth in Tax Expenditures Relative to the Federal Budget Since 1974.

According to the figures presented in the accompanying two tables, total tax expenditures expanded by $121 billion or 162 percent between FY 1974 (when estimates of tax expenditures were first required in the budget) and FY 1980. This is nearly as large as the growth in total income tax revenues over the same period of $151 million, and over half the expansion in total outlays out of Federal funds of $221 billion. In terms of percentage growth, however, tax expenditures at 162 percent considerably outpaced both total outlays out of Federal funds, which grew by 111 percent, and total income tax receipts, which grew by 96 percent. The relevant rows in Table 1 are marked by asterisks.

Projections to FY 1982 based on the Carter budget show tax expenditures increasing by $71 billion or 36 percent; total income tax receipts increased by $88 million or 28 percent; and total outlays from Federal funds increasing by $120 billion or 29 percent.

Thus tax expenditures have been growing and were expected to continue to grow at a more rapid rate than total outlays from Federal funds, which in turn have outpaced income tax revenues.

The tables also break out tax expenditures associated with the individual income tax from those associated with the corporate income tax. The corresponding individual and corporate income tax receipts are provided as a basis for comparison. Although both tax expenditures and tax receipts have been growing more rapidly for the individual income tax than the corporate income tax, the growth of tax expenditures relative to receipts has been greater for the corporate income tax.

The figures suggest that the revenue cost of the current tax expenditure system is so large that if all the tax expenditure provisions were eliminated, average tax rates could be reduced by approximately one-third and still yield the same level of revenue now collected. See p. 34–37 of the enclosed CRS report on Tax Expenditures for an explanation of this estimate.

TABLE 1.—GROWTH IN TAX EXPENDITURES, INCOME TAX RECEIPTS, AND FEDERAL OUTLAYS, FISCAL YEARS 1974 TO 1980

[In millions of dollars, fiscal years]

	1974 (actual)	1980 (actual)	Absolute change 1974–80	Percent change 1974–80 (3)÷(1)
	(1)	(2)	(3)	(4)
Tax expenditures:				
Individuals	57,340	152,308	94,968	166
Corporations	17,465	43,505	26,040	149
Total tax expenditures	74,805	195,813	121,008	162
Income tax receipts:				
Individual	118,952	244,069	125,117	105
Corporate	38,620	64,600	25,980	67
Total income tax	157,572	308,669	151,097	96
Total outlays, Federal funds	198,692	419,214	220,552	111

Source: Calculated by CRS from data presented in U.S. Office of Management and Budget, Special Analyses, Budget of the U.S. Government. Data for fiscal year 1974 from the Budget for fiscal year 1976, Special Analysis F, table F-1, p. 108–109 for tax expenditure estimates; Special Analysis B, table B-2, p. 29 for actual income tax receipts and budget outlays. Data for fiscal years 1980 and 1982 from the Budget for fiscal year 1982, Special Analysis G, table G-1, p. 226–230 for tax expenditure estimates, and Special Analysis C, table C-2, p. 75, for income tax receipts and budget outlays, actual for 1980 and estimates for 1982.

TABLE 2.—PROJECTED CHANGE, FY 1980–82, BASED ON CARTER BUDGET

[In millions of dollars, fiscal years]

	1982	Absolute change, 1980–82	Percent change, 1980–82
	(1)	(2)	(3)
Tax expenditures:			
Individuals	214,425	62,117	41
Corporations	52,300	8,795	20
Total tax expenditures	266,725	70,912	36
Income tax receipts:			
Individual	331,677	87,608	36
Corporate	64,648	48	
Total incon e tax	396,325	87,656	28
Total outlays, Federal funds	538,817	119,603	29

Source: Calculated by CRS from data presented in U.S. Office of Management and Budget Special Analyses, Budget of the U.S. Government. Data for fiscal year 1974 from the Budget for fiscal year 1976, Special Analysis F, table F-1, p. 108–109 for tax expenditure estimates; Special Analysis B, table B-2, p. 29 for actual income tax receipts and budget outlays. Data for fiscal years 1980 and 1982 from the Budget for fiscal year 1982, Special Analysis G, table G-1, p. 226–230 for tax expenditure estimates, and Special Analysis C, table C-2, p. 75, for income tax receipts and budget outlays, actual for 1980 and estimates for 1982.

TAX EXPENDITURES: THE LINK BETWEEN ECONOMIC INTENT AND THE DISTRIBUTION OF BENEFITS AMONG HIGH, MIDDLE, AND LOW INCOME GROUPS

(Report No. 80-99 E)

(By Nonna A. Noto, Analyst in Public Finance, Economics Division, Congressional Research Service, Library of Congress)

ABSTRACT

How are Federal tax expenditures distributed among high, middle, and low income groups? This report analyzes data from a 1978 study by the Senate Budget Committee which estimated the distribution of benefits, through reduced tax liabilities, among five income classes for individual tax expenditure provisions.

By classifying these provisions according to four categories of economic behavior, this report finds systematic differences in the types of tax expenditures which favor separate income groups. Tax expenditures from investment-related provisions are associated sumption and employment-related provisions with the middle income groups, and need-related provisions with the low income group. The overall system of tax expenditures is found to benefit the high income group relative to the middle income groups.

Understanding that one income group is more likely than others to engage in a specific category of economic activities holds implications for policy-making. It indicates that shifting the amount of tax subsidies among economic activities can affect the distribution of the tax burden among income groups. It suggests that efforts to encourage savings and investment by middle income groups through tax-expenditure incentives may call for an adaptation of current tax provisions.

INTRODUCTION

Although interest in the question of who benefits from Federal programs is perennial, the specific focus of that interest may shift with the times. Anti-poverty programs of the late 1960s and early 1970s stimulated efforts to measure the effect of Government programs on the redistribution of income. In addition to direct cash payment programs such as welfare, social security, and unemployment compensation, these efforts measured income-in-kind programs such as food stamps, housing allowances, and medicare.[1] During the late 1970s, recognition of a large disparity in economic growth rates between the northern and southern states led to many inquiries concerning the net flow of Federal aid (Federal payments net of taxes paid by residents) to individual cities, states, and regions.[2]

Footnotes at end of article.

Inflation, recession, and slowdown in the rate of growth of real personal income during 1979 and 1980 have placed an unusual economic squeeze on middle-income groups. These circumstances have prompted inquiries about Federal programs which offer aid to the middle class. In addition, the decline in worker productivity and the low rate of capital formation in the U.S. economy have spurred interest in incentives for personal savings and business investment.

This paper concentrates on how the current system of tax expenditures works to accomplish different economic objectives through different income groups. A decision to change the amount of subsidy to certain economic activities, through tax expenditures as they now operate, could have substantial consequences for the distribution of income after taxes. Alternatively, a decision to redistribute benefits under the present tax-expenditure system from some income groups to others could call for a shift in subsidies from some economic activities to others. Using the tax-expenditure system to accomplish the dual goals of encouraging investment relative to consumption behavior and benefiting the middle rather than the high-income class appears to call for redesigned tax expenditures.

A backdrop to this analysis of the distribution of subsidies from tax expenditures

among income groups is the question of how Congress perceives the relationship between the distribution of the tax burden achieved in the presence of tax expenditures and the distribution indicated by the statutory rate and exemption structure of the Federal personal income tax. If the statutory rate and exemption structure in fact represents Congress's intended distribution of the tax burden, then tax expenditures, to the extent that they reduce the tax liability of some income groups more than others, distorts the intended distributional structure of the income tax.

Another interpretation considers tax expenditures as part of the determination of the tax burden. Thus, tax expenditures serve as an alternative to lower statutory rates and higher exemptions. Tax expenditures may consciously be conferred on some income groups relative to others in order to adjust the pattern of progressivity set by the rate and exemption structure.[3] Under this latter interpretation, if all tax expenditures were to be eliminated, Congress might be expected to adjust rates and exemptions to recapture, at least in part, the distributional effect of tax expenditures.

I. Forms of Federal aid to individuals

Federal programs can aid individuals by transferring income without restrictions as to its use; by subsidizing expenditures on items such as housing, food, health care, or education; and by subsidizing economic behavior such as earning income or investing. The policy tools for achieving those objectives can take a variety of forms. Individuals may receive benefits directly in the forms of cash grants, loans or loan guarantees, and tax expenditures. Individuals may also receive benefits indirectly through publicly provided services or benefits to corporations.

Estimating the dollar value of these benefits is complex. Data on the overall distribution of benefits across income classes from Government programs are not available in any standard, regularly published form—from either Government or private sources. Taking advantage of a special set of data developed for a 1978 study by the Senate Budget Committee, this report focuses on the distribution of tax expenditures across income groups.[4] Although the data are acknowledged to be rough estimates, and thus should be interpreted with caution, they do offer a measure of how Federal tax-expenditure provisions, designed to achieve a variety of economic purposes, may work through different income groups to achieve those purposes.

Aid to individuals other than through tax expenditures is mentioned briefly here only to indicate the magnitude and complexity of the task that would be involved in attempting to fully account for the benefits of Federal programs to individuals in a specific income group such as the middle class.

Direct grants may be unrestricted cash transfers such as public assistance, social security, and veterans' benefits, or they may be restricted aid such as the food stamp, medicare, and rent supplement programs. These cash or cash-equivalent grants generally aid low income groups.

Loan and loan-guarantee programs such as the large mortgage programs of the FHA (Federal Housing Administration) or the VA (Veterans Administration) may offer the individual borrower lower interest rates, lower downpayments, or longer maturities than would conventional lenders. Working through insurance protecting private lenders and through secondary mortgage market operations, programs such as those of GNMA (Government National Mortgage Association) also supply funds to designated groups. Because of limits on the size of these loans, Government loan programs generally do not benefit high income households capable of borrowing in private credit markets. And because these loan programs are aimed at households capable of paying back the loans, they seldom benefit households in the lowest income groups. Government direct loan and loan-guarantee programs are most likely to be aimed at middle income households unable to borrow on their own in the private credit market, or at least unable to borrow on terms as favorable as those the Government offers.

Among the Federal programs and regulations indirectly benefiting the middle class are price supports for farmers, wage protection for construction workers, and the provision of public education. How much these Federal activities benefit each income group is difficult to say.[5]

This report addresses the distribution of tax expenditures only. Overall conclusions about how specific income groups benefit from Federal programs would be more accurate if the effect of direct expenditure and indirect subsidy programs could be accurately measured.

II. Economic intent of tax expenditure provisions

Tax expenditures associated with the Federal personal income tax commonly take the form of the exclusion, exemption, or deferral from taxation of certain types of income, or a preferential rate of tax on certain income. They also may take the form of a deduction or tax credit for expenditures on selected activities.[6]

The origins of tax-expenditure provisions are varied. Some appear in retrospect to be almost accidental, with the current predominant use quite different from the original intent. They often stem from efforts to draw up legal definitions of taxable income and deductible expenses associated with earning income. An example is the interest deduction. It began as a deduction for interest expenses apparently associated with conducting business. Now the bulk of interest deductions under the personal income tax is accounted for by interest payments on home mortgages and consumer credit. Efforts to eliminate a tax-expenditure provision generally must contend with pressures from current users. Consequently, tax expenditures tend to be identified by their current usage, with their original intent frequently forgotten.

Tax expenditures are often presented according to functional groups which correspond to Federal budget outlay categories, for example, national defense, energy, commerce and housing credit, health, and income security. This facilitates the comparison between the amount of tax expenditures and direct expenditures for a given functional area, now that the Congressional Budget Act of 1974 (P.L. 93-344) requires that tax expenditures be listed in the Federal budget. The list of tax expenditures, along with their projected revenue costs for the current and subsequent two fiscal years, can be found in Special Analysis G of the Federal budget.[7]

This report organizes the individual tax-expenditure items in an alternative way which emphasizes their dominant economic character. The tax expenditures examined here have been classified into four broad categories of economic behavior—investment, consumption, employment, and need.[8] These categories are described briefly here and in greater detail in Section III.

The investment category includes provisions offering special tax treatment of certain income or expenditures related to investment activities other than owner-occupied housing. This includes income from such sources as capital gains and interest on municipal bonds, and expenditures on such items as business equipment and research and development.

The consumption category includes provisions offering special tax treatment of expenditures related to consumption, broadly defined to include capital gains on housing, fellowship income and parental support of students, and State and local taxes as payments for the consumption of public services, as well as expenditures for charitable contributions, casualty losses, and interest expenses, among others.

The employment category includes provisions offering special tax treatment of fringe benefits received in connection with employment.

The need category includes provisions offering special tax treatment of income received presumably because of financial need, including retirement benefits, disability compensation, unemployment insurance, and public assistance.

An examination of the distribution of tax expenditures across five income groups reveals that taxpayers at all levels of income receive at least some benefits from almost all of the tax expenditure items. Individual tax expenditures, however, are likely to differ substantially in the fraction of benefits going to low, middle, or high income groups. Classifying tax expenditures by the four categories of economic behavior reveals that the nature of the provisions which benefit primarily the middle class is likely to differ systematically from those which benefit primarily either low or high income groups.

Acknowledging the somewhat arbitrary classification of the 69 tax expenditure items into four behavioral categories and the roughness of the estimates of the distribution of tax expenditure benefits by income class, this study nevertheless reaches several conclusions. In general, middle income households are most likely to benefit from tax expenditure provisions related to consumption and employment. Low income households are most likely to benefit from the provisions related to need. And high income households are most likely to benefit from the provisions related to investment.

This two-way classification of tax expenditure items, both by behavior categories and by income groups, highlights the fact that tax expenditure provisions aimed at separate aspects of national economic behavior tend to work through different income groups. Thus, because tax-expenditure legislation may have specific economic purposes, it is reasonable to assume that the income groups which tend to engage most heavily in that behavior would benefit more than the others from the tax provision.

III. Individual tax-expenditure provisions composing the economic categories

The individual tax-expenditure provisions making up each of the four economic-behavior categories of investment, consumption, employment, and need are presented in tables 1 through 4, located on pages 20 through 23. Within each table, the individual items generally are ordered by decreasing size of the total dollar benefits or revenue losses estimated for the tax ex-

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Footnotes at end of article.

penditure provision in fiscal year 1978. Exceptions occur where smaller provisions have been placed under a larger provision of a highly similar nature, suggesting that the provisions be considered together as a category. Examples of these groupings include depreciation, tax exempt bonds, charitable contributions, and veterans' and military pensions.

Data Source

The data on tax expenditures which provide the basis for this analysis are derived from a study on Tax Expenditures conducted in 1978 by the Senate Budget Committee. That study estimated the total revenue loss and the percentage distribution of tax expenditures among five income groups for each tax expenditure item.

The total benefits, in millions of dollars, presented in the first column, are the estimated revenue losses associated with the tax-expenditure provision for the individual, as opposed to the corporate, income tax for fiscal year 1978. The remaining five columns present the estimated percentage distribution of benefits from the tax-expenditure items across five expanded gross income classes[9]: under $10,000; $10,000 to $20,000; $20,000 to $30,000; $30 000 to $50,000; and over $50,000. The first category, under $10,000, is considered low income. The last category, over $50,000, is considered high income. The three groups in between, ranging from $10,000 to $50,000, are considered middle income.[10]

Problems in Measuring Tax Expenditures

The estimates presented in tables 1 through 4 are subject to at least three measurement problems. First, the estimates of the distribution across income classes for an individual provision are very rough. They were intended simply to indicate in a general way whether specific tax expenditures provide tax savings largely to low, middle, or high income taxpayers.[11]

Second, revenue losses associated with deductions tend to be overstated, while those associated with exclusions are understated. Each tax expenditure is analyzed as marginal or incremental with all other provisions assumed to remain in place. Thus the existing marginal tax bracket is applied to the calculation of the revenue cost of the tax expenditure. If any one deduction was eliminated, all others would be worth less, in the aggregate, because taxpayers would have less deductions pushing them beyond the zero-bracket amount, and fewer would itemize deductions. In contrast, the revenue gain anticipated from the elimination of an exclusion tends to be underestimated. In the absence of the exclusion, taxpayers would move into higher tax brackets. The revenue loss estimate, however, is based on the marginal bracket in effect in the presence of the exclusion.

Third, these calculations do not take into account the possible interdependence among the tax-expenditure items. If one provision was eliminated, the use of others might rise or fall because the behavior of taxpayers changes in response to altered tax incentives. An example of this is provided by two estimates of the revenue cost of itemized deductions for fiscal year 1981. If each item is considered separately, the sum of these individual expenditures is $58.9 billion. But if all the provisions are considered together, the estimated revenue loss is lower, at $44.5 billion.[12]

Footnotes at end of article.

This analysis does not take into account indirect distributional consequences of taxpayer behavior altered by tax-expenditure incentives. Examples are the capitalization of the tax advantages of homeownership leading to higher prices for owner-occupied houses or the tax-free status of State and local bonds resulting in lower interest rates for those debt instruments.

These measurement problems are a warning that the figures presented in this report for both the dollar revenue loss and the percentage distribution of benefits should be interpreted with caution as rough estimates.

Investment-related tax expenditure provisions, presented in table 1, include special tax treatment of items, on both the expenditure and income sides of the taxable-income calculation, that are related to investment activities other than owner-occupied housing. On the expenses side, the largest item in terms of foregone revenue cost is the investment tax credit. On the income side, the large items include the exclusion and deferral of capital gains transferred at death and by gift, capital gains, exclusion of interest of life-insurance savings, and exclusion of interest on State and local bonds.

For the majority of the individual provisions in this category, over 60 percent of the dollar benefits in tax savings are estimated to go to taxpayers with incomes over $50,000. Some exceptions, which give a greater fraction of benefits to the middle-income groups, are the investment tax credit, the dividend exclusion, exclusion of interest on life insurance savings, the expensing of certain agricultural outlays, and the deferral of income on savings bonds.

Another group of tax expenditures, not accounted for here, which also are associated with the investment category are those related to the corporate income tax. It is normally assumed that tax expenditures, like taxes, on corporate income are shifted to the owners of capital who generally are in the highest income class. Thus, by omitting the analysis of corporate provisions, the estimates of tax expenditure benefits going to the investment category and to the highest income class are no doubt understated.

Consumption-related tax-expenditure provisions, presented to table 2, involve the consumption activities of taxpayers. This is defined to include income and expenses related to owner-occupied housing, which is considered here as a final good rather than an intermediate good used in production. The largest consumption provisions, measured in terms of foregone revenue cost, include the deductibility of nonbusiness State and local taxes, the deductibility of mortgage interest and property taxes on owner-occupied homes, the deductibility of charitable contributions, and the deductibility of medical expenses.

At least 60 percent of the tax expenditures from most provisions in this category benefit the three middle-income groups—$10,000 to $20,000, $20,000 to $30,000, and $30,000 to $50,000. Exceptions which benefit the lowest income group more are two provisions related to education—the exclusion of income from scholarships and fellowships and veterans' education benefits through the G.I. bill. The exceptions which give a large fraction of benefits to the highest income group include the deductibility of charitable contributions and the exclusion of capital gains on home sales for persons aged 65 and over (likely to be aggravated in this direction under the 1978 law permitting exclusion of up to $100,000 for persons aged 55 and over).

Employment-related tax-expenditure provisions, presented in table 3, generally encompass the exclusion from taxable income of employer contributions for employee benefits and provisions relating to earned or labor-related, as opposed to investment, income.

The largest employment provisions in terms of foregone tax revenues include the net exclusion of pension contributions and earnings, for both employer and self-employed plans, and the exclusion of employer contributions for medical insurance premiums and medical care.

Over 70 percent of the benefits deriving from most provisions in the employment-related group go to taxpayers in the three middle-income groups from $10,000 to $50,000. The exceptions, which grant a high fraction to the highest income group, are the net exclusion of pension plans for the self-employed, the new jobs tax credit, the maximum tax on earned income, and the exclusion of certain income earned abroad by U.S. citizens. The exception which grants the bulk of its benefits to the lowest income group is the exclusion of benefits and allowances to Armed Forces personnel.

Need-related tax-expenditure provisions, presented in table 4, generally refer to the exclusion from taxable income of certain sources of income provided presumably on the basis of financial need. The largest among these in terms of foregone revenues are the exclusion of social security benefits, the exclusion of unemployment insurance benefits, the earned income credit, and the additional exemption for the elderly.

For the bulk of these provisions, over 50 percent of the benefits are estimated to accrue to the lowest income group, with incomes under $10,000. Exceptions, which confer over 50 percent of their benefits on the middle-income groups, are the exclusion of veterans' disability compensation and military disability pensions, the exclusion of unemployment insurance benefits, the additional exemptions for the elderly and the blind, and the exclusion of sick pay. Even within this group of exceptions, most of the benefits are concentrated in the lower end of the middle-income range, $10,000 to $20,000. As might be expected from the category label of need, very few of the benefits in this group of provisions go to taxpayers with incomes over $50,000, or even to those with over $30,000.

SUMMARY

In this section, tax expenditures were treated as individual items. An effort was made to identify a pattern of income distribution which describes most of the items in each of the four economic behavior categories, although exceptions to that pattern were acknowledged. In addition, an effort was made to identify the specific tax-expenditure items which, because of their large dollar magnitudes, are likely to dominate the behavior of the group to which they are assigned.

The next section focuses on the four aggregate categories of investment, consumption, employment, and need. It summarizes the overall distribution of tax-expenditure benefits among the four economic categories and the five income groups for fiscal year 1978. The reader is cautioned once again that because of the roughness of the income-distribution estimates and the sometimes arbitrary classifications of the individual tax-expenditure items into the four economic categories, the statistics presented on the distribution of tax-expenditure benefits should be interpreted only as approximations.

TABLE 1.—INVESTMENT-RELATED TAX EXPENDITURES

Tax expenditure item	Total benefits to individuals fiscal year 1978 (millions)	Distribution of benefits by expanded gross income class, fiscal year 1978 (percent)				
		Under $10,000	$10,000 to $20,000	$20,000 to $30,000	$30,000 to $50,000	Over $50,000
Investment expenses:						
Investment tax credit	$2,390	7.7	24.1	18.7	19.9	29.6
Expensing of certain agricultural outlays	445	5.3	18.1	17.1	24.8	34.7
Depreciation:						
Excess 1st-yr. depreciation	145	2.1	3.6	3.6	15.0	75.7
Depreciation on rental housing in excess of straight line	300	2.2	3.4	3.7	15.0	75.6
Depreciation on other buildings in excess of straight line	125	2.1	3.6	3.6	15.0	75.7
Asset depreciation range	115	3.0	9.0	8.0	20.0	60.0
Excess of percentage over cost depletion	340	2.3	3.6	3.6	15.1	75.4
Expensing of intangible drilling, exploration, and development costs	300	2.4	3.8	3.8	15.2	74.8
Expensing of construction period interest and taxes	140	2.0	3.3	4.0	14.7	76.0
Expensing of research and development costs	30	0	3.3	3.3	13.3	80.0
Housing rehabilitation: 5-yr. amortization	10	0	0	6.7	13.3	80.0
Investment income:						
Capital gains:						
Exclusion and deferral of capital gains transferred at death and by gift	5,116	1.8	6.8	8.1	15.6	67.7
Capital gains (other than farming, timber, iron ore, and coal)	7,430	1.7	6.9	8.1	15.6	67.7
Capital gains treatment of certain income related to farmland	350	1.5	7.0	8.2	15.4	67.9
Capital gains treatment of certain income related to timber	60	1.8	5.4	9.0	16.4	67.3
Capital gains treatment of royalties of coal	50	2.2	6.6	8.9	15.6	66.7
Capital gains treatment of royalties on iron ore	5	0	0	0	20.0	80.0
Exclusion of interest on life insurance savings	2,025	13.6	22.5	18.4	17.5	28.0
Tax-exempt bonds:						
Exclusion of interest on general purpose State and local debt	1,925	.1	2.5	3.4	8.7	85.3
Exclusion of interest on State and local industrial development bonds	115	0	2.1	3.2	8.4	86.3
Exclusion of interest on State and local government pollution control bonds	110	0	1.2	3.5	8.2	87.1
Deferral of income on savings bonds	625	14.2	22.4	18.3	17.3	27.9
Dividend exclusion	475	9.1	24.0	24.7	23.3	18.9
Total, investment related [1]	22,626	3.9	10.5	10.2	15.9	59.5

[1] See notes at end of table 4.

TABLE 2.—CONSUMPTION-RELATED TAX EXPENDITURES

Tax expenditure item	Total benefits to individuals fiscal year 1978 (millions)	Distribution of benefits by expanded gross income class, fiscal year 1978 (percent)				
		Under $10,000	$10,000 to $20,000	20,000 to $30,000	$30,000 to $50,000	Over $50,000
Deductibility of nonbusiness State and local taxes (other than on owner-occupied homes and gasoline)	$8,505	1.1	14.0	22.3	23.4	39.2
Deductibility of nonbusiness State gasoline taxes	760	3.2	30.9	36.3	20.1	9.3
Deductibility of property taxes on owner-occupied homes	4,665	1.9	19.4	28.4	24.6	25.7
Deductibility of mortgage interest on owner-occupied homes	4,985	2.0	24.5	36.0	25.2	12.3
Deductibility of charitable contributions:						
Education	585	.4	3.2	4.8	18.3	73.3
Health	875	1.3	7.6	12.7	19.6	58.9
Other	4,370	1.4	15.3	22.0	18.1	43.2
Deductibility of medical expenses	2,435	6.0	31.7	28.4	18.3	15.6
Deductibility of interest on consumer credit	2,120	2.0	24.5	35.9	25.2	12.3
Deferral of capital gains on home sales	935	4.0	42.8	33.7	14.6	4.8
Exclusion of capital gains on home sales for persons age 65 and over	70	2.5	15.0	17.5	15.0	50.0
Parental personal exemption for students age 19 or over	770	15.3	57.7	5.9	6.0	15.1
Exclusion of scholarships and fellowships	295	49.0	38.8	6.1	4.1	2.0
Exclusion of GI bill benefits	200	63.5	28.5	5.8	1.5	.8
Credit for child and dependent care expenses	525	13.6	43.6	33.0	8.2	1.6
Deductibility of casualty losses	360	4.4	28.7	19.1	23.7	24.1
Credits and deductions for political contributions	60	15.3	31.8	22.4	15.3	15.3
Total, consumption related [1]	32,515	3.4	21.5	26.2	21.4	27.7

[1] See notes at end of table 4.

TABLE 3.—EMPLOYMENT-RELATED TAX EXPENDITURES

Tax expenditure item	Total benefits to individuals fiscal year 1978 (millions)	Distribution of benefits by expanded gross income class, fiscal year 1978 (percent)				
		Under $10,000	$10,000 to $20,000	$20,000 to $30,000	$30,000 to $50,000	Over $50,000
Net exclusion of pension contributions and earnings:						
Employer plans	$9,940	5.2	29.2	29.9	19.2	16.5
Plans for self-employed and others	1,650	2.4	13.7	19.1	25.1	39.6
Exclusion of employer contributions for medical insurance premiums and medical care	6,340	10.5	33.1	27.8	15.9	12.7
Exclusion of benefits and allowances to Armed Forces personnel	1,260	52.5	37.0	5.0	4.1	1.4
Exclusion of other employee benefits:						
Premiums on group term life insurance	905	10.5	33.1	27.8	15.9	12.7
Premiums on accident and accidental death insurance	75	10.0	34.3	27.1	15.7	12.9
Privately financed supplementary unemployment benefits	10	30.0	40.0	20.0	10.0	0
Contributions to prepaid legal services plans	10	20.0	40.0	20.0	20.0	0
New jobs tax credit	985	8.0	24.0	18.4	20.0	29.6
Maximum tax on earned income	665	0	0	0	0	100.0
Exclusion of certain income earned abroad by U.S. citizens	360	7.3	12.5	18.7	32.1	29.4
Exclusion of employee meals and lodging (other than military)	300	12.5	50.0	14.3	12.5	10.7
Total, employment-related [1]	22,500	9.5	28.7	25.3	17.3	19.3

[1] See notes at end of table 4.

TABLE 4.—NEED-RELATED TAX EXPENDITURES

Tax expenditure item	Total benefits to individuals fiscal year 1978 (millions)	Distribution of benefits by expanded gross income class, fiscal year 1978 (percent)				
		Under $10,000	$10,000 to $20,000	$20,000 to $30,000	$30,000 to $50,000	Over $50,000
Exclusion of social security benefits:						
For the aged (OASI)	$4,210	56.6	23.4	9.5	6.7	3.8
For dependents and survivors	950	56.6	23.4	9.5	6.7	3.7
For the disabled	550	56.8	23.4	9.6	6.8	3.4
Exclusion of railroad retirement benefits	265	56.8	23.2	9.6	6.8	3.6
Exclusion of veterans benefits:						
Disability compensation	840	17.3	43.2	26.3	9.8	3.4
Pensions	40	85.7	14.3	0	0	0
Exclusion of military disability pensions	115	47.6	38.1	9.5	3.8	.9
Exclusion of workers' compensation benefits	835	56.7	23.5	9.4	6.7	3.7
Exclusion of special benefits for disabled coal miners	50	58.0	24.0	10.0	6.0	2.0
Earned income credit:						
Refundable	945	100.0	0	0	0	0
Nonrefundable	285	100.0	0	0	0	0
Exclusion of unemployment insurance benefits	1,200	36.7	39.7	14.9	5.3	3.4
Additional exemption for the elderly	1,155	32.8	30.9	13.2	11.1	11.9
Exclusion of public assistance benefits	345	78.5	15.5	5.1	.9	0
Tax credit for the elderly	250	65.2	30.0	4.3	.4	0
Exclusion of sick pay	75	15.4	59.1	12.7	7.3	5.4
Additional exemption for the blind	20	30.0	30.0	15.0	10.0	15.0
Total, need-related [1]	12,130	54.6	25.0	10.4	6.2	3.9

[1] The total dollar value of benefits for each income class was calculated by CRS by multiplying the total benefits for each tax expenditure item by its percentage distribution for an income class, and then summing the resulting estimated dollars of benefit within each income class. The total percentage figures were obtained by dividing the dollar total for each income class by the sum of the 5 separate income-class calculations. The numbers behind these percentage calculations are reported in table A-1.

Source: U.S. Senate, Committee on the Budget, Tax Expenditures: Relationships to Spending Programs and Background Material on Individual Provisions, committee print, 95th Congress, 2d session (Washington, D.C.: U.S. Government Printing Office, 1978), reference pages as noted in table.

IV. The link between economic intent and income groups

There are two convenient ways to demonstrate the link between income groups and economic behavior categories. One is to survey the tax expenditures received by each income group and determine which category of economic behavior accounts for the largest fraction of those benefits. The other is to consider the distribution of tax expenditures within one category of economic behavior and ask which income group is receiving the largest fraction of the tax subsidies to that economic activity. These summary percentages are presented by income class, in table 5, and by economic category, in table 6. These simple percentages highlight how the relative importance of the separate economic behavior categories can differ considerably for the low, middle, and high income groups. Recall that these distributions reflect the situation as measured in fiscal year 1978.

Distribution Within Income Groups. The percentages in table 5 indicate how, moving up the income scale, the relative emphasis in the distribution of benefits shifts from need, to employment, to consumption, and finally to investment-related tax-expenditure provisions. For taxpayers with (expanded gross) incomes under $10,000, over 60 percent of the tax expenditures received fall under the provisions related to need. For taxpayers in the $10,000 to $20,000 range, 34 percent of the benefits derive from employment-related provisions and 37 percent from consumption-related provisions. For taxpayers in the $20,000 to $30,000 range, 32 percent of the benefits are related to employment, and 48 percent to consumption. Taxpayers in the $30,000 to $50,000 range receive 26 percent of their benefits from employment-related, 46 percent from consumption-related, and 24 percent from investment-related provisions. For taxpayers in the highest income group, over $50,000, 33 percent of the benefits derive from consumption-related and 49 percent from investment-related activities.

TABLE 5.—WHICH ECONOMIC BEHAVIOR CATEGORY PROVIDES THE MOST TAX EXPENDITURES FOR EACH INCOME CLASS?

[Percent distribution within income class, fiscal 1978]

Economic behavior category	Expanded gross income class					
	All	Under $10,000	$10,000 to $20,000	$20,000 to $30,000	$30,000 to $50,000	$50,000
Investment	25.2	8.2	12.6	13.0	23.7	49.4
Consumption	36.2	10.2	37.0	47.9	45.7	33.0
Employment	25.1	19.9	34.3	32.0	25.6	15.9
Need	13.5	61.7	16.1	7.1	4.9	1.7
Total [1]	100.0	100.0	100.0	100.0	100.0	100.0

[1] Individual columns may not sum to 100 because of rounding.

Source: CRS calculation based on data presented in table A-1.

Distribution Within Categories of Economic Behavior. A similar pattern of progression can be seen in table 6 which presents the percentage distribution of benefits across the income groups within each of the four categories of economic behavior. Among the investment-related provisions, 60 percent of the benefits go to households with incomes of $50,000 or over. Benefits from consumption-related provisions are divided approximately equally among the four income groups of $10,000 and above. Over half the benefits from employment-related provisions go to households in the $10,000 to $20,000 and the $20,000 to $30,000 range. Over half the benefits from need-related provisions go to households with income under $10,000. Again, the progression in the distribution of benefits from need, to employment, to consumption, to investment is apparent moving up the income scale.

TABLE 6.—WHICH INCOME CLASS RECEIVES THE BULK OF TAX EXPENDITURES FROM EACH ECONOMIC BEHAVIOR CATEGORY?

[Percent distribution within economic behavior category, fiscal 1978]

Economic behavior category	Expanded gross income class					
	All	Under $10,000	$10 000 to $20,000	$20,000 to $30,000	$30,000 to $50,000	$50,000
Investment	100	3.9	10.5	10.2	15.9	59.5
Consumption	100	3.4	21.5	26.2	21.4	27.7
Employment	100	9.5	28.7	25.3	17.3	19.3
Need	100	54.6	25.0	10.4	6.2	3.9
Total	100	12.0	21.0	19.8	16.9	30.4

[1] Rows may not add to 100 because of rounding.

Source: CRS calculation based on data presented in table A-5.

The findings of this section emphasize the strong identification that exists between an income group and the dominant category of economic behavior which characterizes the tax expenditure benefits it receives. In general, tax expenditure benefits related to need tend to be identified with the low-income group, employment with the middle-income group, consumption with both the middle- and high-income groups, and investment with the high-income group.

In the effort to assess which income group receives the greatest net benefit from the system of tax expenditures viewed as a whole, the next section concentrates on the distribution of benefits from the total of all tax expenditures considered together. Section V evaluates the income progressivity of tax expenditures in the aggregate and the impact they have on the progressivity of the personal income tax.

V. Tax expenditures and the progressivity of the income tax

Because tax expenditures represent a reduction in tax liabilities and consequently a reduction in potential tax revenues, a tax expenditure concession to one income group increases the tax burden on others. Further, in order to maintain the same level of revenue from the personal income tax, average statutory rates must be higher, or the zero bracket amount and personal exemption must be lower than they would be in the absence of tax expenditures.

Any conclusion about whether the existence of tax expenditures acts to redistribute income depends upon the assumption made about what the tax system would be like in the absence of tax expenditures. If tax expenditures were phased out, would Congress choose to offset higher revenue collections through an across-the-board tax cut, benefiting all income groups in proportion to their income? If so, then the current tax-expenditure system can be judged as redistributing income away from that norm. Alternatively, it might be anticipated that Congress would seek to preserve the distribution of the tax burden which now prevails with tax expenditures in place. In the latter case, tax expenditures cannot be judged as distorting the tax system away from the desired norm. Rather, tax expenditures may be serving as an alternative to adjusting statutory rates and exemptions differentially by income group.

Measuring the progressivity of the tax expenditure system provides information which is instructive under either of these alternative assumptions. The information can be used to indicate how the progressivity of the tax system implied by the statutory rate structure is altered by tax expenditures. Or, it can be used to indicate how the statutory rate-structure would need to be adjusted in order to maintain the present distribution of the tax burden if the tax-expenditure system were dismantled.

The distribution of tax expenditures across the income groups is examined here according to two standards of progressivity. The first is the traditional standard which measures the value of tax-expenditure benefits as a percent of adjusted gross income. The second is a relative standard which evaluates the effect of tax expenditures on tax payments.

The individual income-tax system is known for being progressive. That is, income taxes paid represent a higher fraction of income the higher the income group. The first row of table 7 illustrates that taxes as a fraction of adjusted gross income increase from 6.5 percent for those with incomes under $10,000, up to 31.3 percent for those with incomes over $50,000.

Applying the traditional progressivity measure—as a fraction of Adjusted Gross Income (AGI)—to tax expenditures reveals an irregular pattern, moving up the income scale. According to the figures presented in row 2 of table 7, at the low end of the income scale tax expenditures appear mildly progressive. The dollar benefit of tax expenditures for taxpayers with incomes below $10,000 is slightly higher, at 7.6 percent of AGI, than for taxpayers in the next income group, $10,000 to $20,000, at 5.1 percent of AGI. For the middle-income groups, from $10,000 to $50,000, tax expenditures appear mildly regressive. That is, they reduce taxes in relation to income more the higher the income group. For the highest income group, over 50,000, tax expenditures appear steeply regressive. Tax-expenditure benefits jump from 8.8 percent of AGI for taxpayers in the $30,000 to $50,000 group to 22.3 percent of AGI for those with incomes over $50,000.

TABLE 7.—PROGRESSIVITY OF TAXES AND TAX EXPENDITURES

[Percentages, 1977 and 1978 [1]]

	Income class [1]					
	All	Under $10,000	$10,000 to $20,000	$20,000 to $30,000	$30,000 to $50,000	Over $50,000
(1) Taxes actually paid as a percentage of AGI	14.6	6.5	10.8	14.1	18.2	31.3
(2) Tax expenditures as a percentage of AGI	8.2	7.6	5.1	6.1	8.8	22.3
(3) Full taxes as a percentage of AGI (1) plus (2)	22.8	14.1	15.9	20.2	27.0	53.6
(4) Tax expenditures as a percentage discount from full taxes (2) divided by (3)	36.0	53.9	32.1	30.2	32.6	41.6

[1] Distribution of tax expenditure benefits based on expanded gross income classes (defined in footnote 9, p. 13) for fiscal year 1977–78. Distributions of adjusted gross income and taxes paid based on adjusted gross income classes with data from taxable returns filed for the 1977 calendar year.

Source: See appendix, table A-2, for the numbers behind these percentage calculations.

The relative measure of the effect of tax expenditures on the progressivity of the tax system involves the concept of the full tax,[13] defined as the sum of taxes actually paid plus the value of tax expenditures. The distribution of full taxes across the income groups reflects the likely progressivity of the income tax if the tax-expenditure system were dismantled and no compensating changes were made in tax rates for different income groups.

Applying the traditional measure of progressivity to full taxes, as in row 3 of table 7, indicates that full taxes would be extremely progressive at the high income end of the spectrum, rising to 53.6 percent of income for the over-$50,000 group. Full taxes would be nearly proportional for the two income groups under $20,000, in the 14 to 16 percent range.

The measure of tax expenditures as a percentage of full taxes indicates the direction in which the existence of the tax-expenditure system affects the progressivity of the statutory rate and exemption structure of the individual income tax. According to this measure, presented in row 4 of table 7, the group receiving the largest percentage discount from their full tax liability is the lowest-income group, under $10,000, with a discount of 53.9 percent. This can be explained by the low actual-tax liability of this group arising from the progressive nature of the income-tax system. The other group receiving an above-average discount on its full tax liability is the highest-income group, over $50,000, with a discount of 41.6 percent. The three middle-income groups, from $10,000 to $50,000, all register discounts below the average of 36.0 percent, at approximately the same rates of 32.1, 30.2, and 32.6 percent.

The average figure of 36 percent suggests that if the tax-expenditure system were to be eliminated and, in compensation, taxes were reduced proportionately across all income groups, average tax rates could be cut by approximately one third. If, instead of making such an across-the-board tax cut, Congress were interested in preserving the current progressivity of tax liabilities, it would grant a higher than average rate cut to the lowest- and highest-income groups, and a lower than average cut to the middle-income groups.

Conclusions as to the effect of tax expenditures on the progressivity of the income tax are sensitive to the standard of measure used. Both the traditional and relative progressivity comparisons made in this report indicate that, in fiscal 1978, the greatest absolute benefit from tax expenditures went to the highest income group, over $50,000. The relative progressivity comparison, measured as a fraction of full taxes, shows net benefits from tax expenditures going to the group with the lowest taxable income, under $10,000, as well as to the highest-income group.

Because tax expenditures are nonrefundable, the very-lowest-income group, which is off the scale of taxable income, receives essentially no benefit from the tax expenditure system. The group with income just high enough to be subject to tax would benefit if tax expenditures were replaced by general increases in the dollar size of the personal exemption or the zero-bracket amount. These changes would raise the ceiling on the level of income not subject to tax, thus increasing the number of people at the low end of the income scale who are not liable for income taxes.

Section VI updates the estimated growth of tax expenditures in the four economic-behavior categories between fiscal 1978 and 1980. Drawing upon the relationship between income groups and categories of economic behavior observed for 1978, section VI investigates how the income redistributive effect of the tax-expenditure system may have shifted over the past two years in response to higher rates of expansion in some categories of economic behavior than others.

VI. Update: Changes in tax expenditures from 1978 to 1980

The distribution of tax-expenditure benefits among income groups and categories of economic behavior was examined in detail for fiscal year 1978. An interesting aspect of the tax-expenditure budget, however, is that, like the direct-expenditure budget, it tends to change from year to year. This section investigates the changes that occurred in tax expenditures between fiscal 1978 and 1980.

Changes in tax expenditures stem both from fluctuations in the use of existing provisions in response to macroeconomic trends and to changes in taxayer behavior and from legislative adaptations to tax-expenditure provisions in the Internal Revenue Code.

Footnotes at end of article.

There were substantial changes in the tax-expenditure provisions that were in effect in 1980 compared with 1978. The Revenue Act of 1978 reduced tax rates for individuals and increased the personal exemption and the zero-bracket amount. These changes would be expected to reduce the estimated size of tax expenditures because fewer taxpayers would itemize deductions and because deductions and exclusions would have less value at lower marginal tax rates.

The Revenue Act of 1978 contained other specific changes in tax-expenditure provisions. Some items, such as the deductibility of State and local gasoline taxes, were eliminated. Some new items were added, including tax incentives for the preservation of historic structures, an investment credit for the rehabilitation of structures, the exclusion of interest on State and local housing bonds, a deduction for employer educational assistance, and residential energy credits (introduced by the Energy Tax Act of 1978).

Some items were redefined. The $35,000 exclusion for capital gains on owner-occupied housing for persons over 65 was changed in 1978 to $100,000 for persons over 55. The percentage of capital gains not subject to tax was raised from 50 to 60 percent, thus raising the cost of the tax expenditure for every dollar of capital gains. The new jobs tax credit was replaced by the targeted jobs credit and the credit for employment of AFDC (aid to families with dependent children) recipients and public-assistance recipients under WIN (work incentive) programs.

There also have been changes in reporting methods and estimating techniques. The refundable portion of the earned-income credit, now reported as a budget outlay, is retained here as a tax expenditure item for the sake of comparability between 1978 and 1980. The Treasury's method for estimating the tax-expenditure value of capital gains transferred at death has been revised to account for a negative offset to income-tax collections of approximately 37 percent of estate-tax collections. The tax-expenditure figure published for 1978 has been revised downward by 37 percent here to correspond to the 1980 estimate.[11]

The figures presented for 1980 in table 8 incorporate all of these alterations. Thus the changes calculated for tax expenditures in each economic behavior category reflect both legislated changes in the structure of the tax-expenditure system and changes in underlying economic behavior.

The calculations presented in table 8 indicate that the four economic behavior categories expanded at different rates between fiscal 1978 and fiscal 1980. Total tax expenditures under the personal-income tax grew by $49.5 billion or 55 percent. The need category expanded at approximately the average rate, by 54 percent, while the employment category grew at slightly less than the average rate, by 48 percent. The two categories of consumption and investment deviated noticeably from the average, however. The consumption category expanded more rapidly than average, by 69 percent, while the investment category fell short of the average, growing by only 44 percent.

These differing rates of expansion show up in a small change in the distribution of total tax expenditures among the four economic categories. The fraction associated with consumption increased by three percentage points, from 36 to 39 percent; the fraction associated with investment declined by two percentage points, from 25 to 23 percent; the fraction associated with employment decreased by one percentage point, from 25 to 24 percent; and the fraction associated with need barely dropped from 13.5 percent. The consumption category increased its lead for first place in terms of absolute size. Employment-related benefits edged ahead of investment for second place. Need remained the smallest category.

TABLE 8.—CHANGE IN TAX EXPENDITURES BY ECONOMIC CATEGORY, 1978–80

[Dollar amounts in millions]

	Tax expenditures—fiscal year—		Change in tax expenditures, 1978–80	
	1978	1980	Absolute change	Percent change
Investment	$22,626	$32,520	$9,894	44
Consumption	32,515	54,805	22,290	69
Employment	22,500	33,305	10,805	48
Need	12,130	18,656	6,526	54
Total	89,771	139,286	49,515	55

Source: See table A-3 through A-6 in the appendix.

What explains these large differences in the rates of growth in the categories of economic behavior? Although observers of the national economy have been noting the recent strength of consumption relative to investment, it is beyond the scope of this report to examine the relationship between tax expenditures and movements in the macroeconomy. What we can do in this report, however, is to identify those tax expenditure items which grew by over one billion dollars between fiscal 1978 and 1980 and thus account for the bulk of the change in the relative size of the four categories of economic behavior. Note that all of the provisions experiencing this exceptionally large expansion were provisions already in place in 1978 and not any of those introduced subsequent to 1978. (The growth of individual tax expenditure items can be found in tables A-3 through A-6 in the appendix.)

There were six items in the rapidly expanding category of consumption that grew by over one billion dollars. These include the deductions for State and local taxes other than property taxes, property taxes, mortgage interest, charitable contributions other than to health or education, medical expenses, and consumer credit. The mortgage interest deduction grew by 150 percent in these two years. The consumption category accounted for nearly half the total increase in estimated tax expenditures between 1978 and 1980.

The two items in the employment category which grew by over one billion dollars include employer contributions to pensions and to medical insurance programs. The medical contribution deduction grew by 100 percent.

The two items in the need category which grew by over one billion dollars include the exclusion of social security benefits for the aged (OASI) and the exclusion of unemployment insurance benefits. The unemployment insurance provision grew by 100 percent.

The two items in the investment category which grew by over one billion dollars were the preferential treatment of capital-gains income and the exclusion of interest on life-insurance savings. The investment category differs from the others in that two of the items that were largest in dollar size in 1978 did not grow by an above-average rate between 1978 and 1980. In particular, estimated tax expenditures under the investment tax credit grew by only 22 percent and tax expenditures associated with capital gains transferred at death declined. Thus, the category as a whole fell behind the average.

The next obvious question of interest in the framework of this report is how the change in the relative size of tax expenditures associated with the different economic categories influenced the distribution of tax expenditure benefits among the income groups and, consequently, how it affected the progressivity of the income-tax system.

It is relatively easy to track the change in the estimated size of tax expenditures from year to year. The revenue cost of each tax expenditure item is now estimated annually by the Treasury Department, as required by the Congressional Budget Act of 1974 (P.L. 93–344). The distribution of tax expenditures among the income groups, however, is not estimated annually. The percentage estimates used in this report were a special contribution of the Senate Budget Committee's 1978 tax-expenditure study.

Because inflation has changed the meaning of the income categories used in 1978 and because the economic behavior of income groups may have changed, it is admittedly misleading to apply the 1978 distributions by income group to 1980 tax expenditures. Nonetheless, it is tempting to do this in order to get some idea of the implication of the changing relative size of tax-expenditure items on the distribution of benefits by income class.

Repeating for 1980 the calculations made for 1978 (presented in tables 1 through 4 and summarized in table 6) suggests that the observed shift from investment and employment-related to consumption-related tax expenditures resulted in only the slightest (one percent) increase in benefits to the middle income groups, from $20,000 to $50,000, at the expense of the lowest- and highest-income groups. The small size of the shift may be explained in part by recalling that although investment-related provisions tended to be associated with the high-income group, employment-related provisions were associated with the middle income group, and consumption-related benefits were spread quite evenly across the four income groups over $10,000. It seems reasonable, then, that the shift among the economic categories caused almost no effect on the distribution of tax-expenditure benefits among the income groups. Thus the change in the relative size of the categories of economic behavior between 1978 and 1980 does not alter the conclusion reached earlier, in section V, that the tax-expenditure system as a whole tends to benefit high- and low-income taxpayers at expense of the middle-income groups.

The final section, VII, applies the findings of this report to the Federal budget policy issue of controlling the size of tax expenditures. It emphasizes the need to evaluate the cost-effectiveness of tax expenditures in accomplishing their legislated purpose. It points out administrative ways to limit the revenue cost of individual tax expenditure items. And it recognizes the possible conflict between the goals of accomplishing certain economic purposes and aiding certain income groups.

VII. Implications for controlling tax expenditures

Organizing individual tax-expenditure items according to the four categories of investment, consumption, employment, and need emphasizes the generic types of economic activity that Federal tax policy consciously seeks to subsidize. Cross-classifying these categories of economic behavior by the distribution of their benefits across income groups suggests that policies designed to achieve these separate economic purposes may work predominantly through different income groups.

The strong link between income groups and economic activities suggests that efforts to subsidize certain economic activities can be expected to affect the distribution of income after taxes. Similarly, efforts to control tax expenditures can be expected to have different effects on income groups depending on whether these limits are accomplished by

Footnotes at end of article.

eliminating certain tax-expenditure provisions completely, putting a cap on the size of the deduction or exclusion, switching from a deduction or exclusion to a tax credit, or restricting the use to a certain income range.

Focusing on the distribution of benefits across the income groups from an individual tax expenditure provision or even an economic-behavior aggregate can be misleading because it fails to point out the offsetting forces within the tax-expenditure system. Aggregating the benefits from all tax expenditures reveals that although the middle class receives a large fraction of the benefits from tax-expenditure provisions related to consumption and employment, it does not appear to receive a net benefit from the tax-expenditure system viewed as a whole. In the comparison of tax expenditures to adjusted gross income, it is the high-income group which appears to receive the greatest benefit from tax expenditures. When benefits are measured as a discount on full taxes or taxes, actually paid, both the low- and high-income groups appear to receive higher than average tax discounts than the middle-income groups.

Tax-expenditure provisions shrink the personal income-tax base and reduce tax liabilities for some taxpayers relative to others. To compensate for these lost revenues, statutory tax rates must be higher or standard exemptions and deductions must be lower than they would be in the absence of tax expenditures. The dollar magnitude of tax expenditures is so large that if the tax expenditure system were dismantled, average tax rates could be cut by approximately one-third.

It is not clear, however, that Congress would choose to distribute such a tax cut evenly across the income groups. Nor is it likely that the tax-expenditure system would be completely dismantled. Consequently, it may prove useful to a discussion of policy to list some issues to be considered in an effort to control the size of the tax-expenditure budget.

Benefit-Cost Analysis

Tax-expenditure provisions generally are legislated with the intent of increasing a particular economic activity. Thus an important issue is to evaluate the success of tax expenditures in bringing about an increase in the subsidized activity and to compare this to the revenue cost of the tax subsidy.

As difficult as it is to get an accurate estimate of the revenue cost of a tax-expenditure provision, it is even more difficult to get an estimate of its effectiveness in bringing about net increases in the subsidized activity. In order to justify the implementation or continuation of a tax-expenditure provision, it is important for the Congress to evaluate whether the value to the public of the increment in activity attributable to the tax break in fact outweighs the revenue cost to the Treasury. In some cases, individuals might undertake the activity anyway, even in the absence of a subsidy. An example might be people insulating their houses in response to high energy costs. In such cases, a subsidy might have little effect on behavior. The result of tax expenditures in such areas might be a substantial tax-revenue loss in exchange for little direct gain as measured by altered economic activity.

Congress also should be aware of the possible misuses of tax-expenditure provisions, for purposes other than those intended by the legislation. An example was the use of tax-exempt State and local bonds, generally intended for public projects, to finance privately owned housing. Congress effectively placed a moratorium on this use of the bonds by initiating legislation in 1979 to restrict eligible mortgages (see H.R. 5741 and S. 2064).

Tax expenditures also can distort economic behavior toward engaging in the subsidized activity beyond the point intended by the legislation. An example is that the open-ended subsidies to owner-occupied housing through the mortgage-interest and property-tax deductions and the deferral of and eventual exclusion from taxation of capital gains on housing may have encouraged households to go far beyond their requirements for basic shelter in their decision to purchase a house. Efforts to limit the use of tax expenditures for luxury consumption may call for a cap on the total amount that could be deducted under certain provisions.

As a form of aid, the tax-expenditure subsidy is simply an alternative to direct spending, loans, loan guarantees, or other forms of Government protection through regulations. In some cases a direct subsidy, for example, might be more cost-effective than the tax-expenditure approach. It has been calculated repeatedly that it would cost the Treasury less to pay interest subsidies directly to State and local governments than to exempt State and local bonds from taxation. Both approaches accomplish the same goal of lowering the net cost of borrowing for these governments.

Efforts to trim the tax-expenditure budget could apply these kinds of benefit-cost evaluations to help determine which provisions are likely candidates to be eliminated, revised, or replaced by another form of subsidy.

Income Bias in Tax Mechanics

A second issue is that the mechanics of the tax-expenditure system itself tend to confer greater obvious benefits on people in higher-income groups. Because tax expenditures work through a reduction in taxable income, they tend to offer a greater percentage benefit—per dollar of excludable income or deductible expenditures—to higher income households, in higher marginal tax brackets. Further, for almost all tax expenditure provisions, there is no upper limit on the total amount that can be deducted or excluded. High income taxpayers are likely to have larger expenditures to deduct or larger amounts of income to exclude.

This administrative aspect raises the question of how the economic goals of tax expenditures can be encouraged without conferring extra benefits on people in the highest marginal-tax brackets. One approach is to place a dollar limit or cap on the amount that can be deducted or excluded. An example is the dividend and interest exclusion of $200 for individuals and $400 for married persons filing jointly (recently changed from the $100/$200 dividend-only exclusion by the Crude Oil and Windfall Profit Tax Act of 1980). The cap approach deals with the open-ended characteristic of many tax subsidies by limiting the dollar amount of the exclusions, to $200 or $400 in this case. This approach still confers relatively greater benefits on people in higher marginal-tax brackets, on expenditures up to the level of the cap. The incentive effect of the marginal-tax subsidy is eliminated for income, in the case of exclusions, or expenditures, in the case of deductions, above the level of the cap. Thus, the capped dividend and interest exclusion is not likely to encourage additional savings among the wealthy.

The use of a tax credit rather than a deduction or exclusion is another approach which maintains the economic incentive of the tax subsidy but does not confer relatively greater benefits on people in high marginal tax brackets. Take, for example, the tax credit for political campaign contributions. The tax credit offers a 50 percent subsidy for every dollar or eligible contribution (up to a credit of $50 per individual and $100 for married couples filing jointly) to taxpayers in all tax brackets. Thus the credit provides greater benefit than a comparable deduction would for people below the 50 percent marginal tax bracket.

A cap on deductions and exclusions or the use of a tax credit is particularly appropriate where the tax-expenditure benefit is not intended to be positively associated with income, such as medical deductions. Restricting the use of the deduction or exclusion to taxpayers below a given income level may be appropriate where the benefit is intended primarily for lower-income groups. Examples are the full exclusion of unemployment and disability benefits only for people below certain income levels.

Legislating a dollar limit on caps and credits is relatively straight-forward. This administrative advantage permits better control of the total size of the associated tax expenditures.

It is interesting to note that many tax expenditures confer obvious benefits only on taxpayers who itemize deductions. There is an indirect benefit to the others, however, from an overall increase in itemizing. For the sake of administrative manageability, the zero-bracket amount generally is set high enough that only about one third of those filing tax returns itemize deductions. Thus, if a greater number of people start to use deductions or if people increase the average dollar size of their deductions, this places upward pressure on the level of the zero-bracket amount in order to reduce the number of itemizers. A higher zero-bracket level benefits only those taxpayers whose deductions would fall below that level. The tax benefits to the group with deductions below the level of the zero-bracket amount are not calculated as a revenue loss associated with tax expenditures.

Tailoring Tax Expenditures to Income Groups

A third issue is the awareness that some income groups are more likely than others to engage in the various types of subsidized economic activities. We have seen that the overall share of benefits received by an income group depends in large part on the degree to which it engages in activities subsidized by the tax-expenditure system.

For 1978, the predominance of benefits going to the highest income group could be traced to the large share of total tax expenditures going to investment- and consumption-related activities, combined with the large fraction of the benefits in those categories accruing to the highest-income group. The benefits accruing to the lowest-income group could be traced primarily to the very high fraction of the benefits from need-related provisions going to this group. The middle-income groups derived the bulk of their benefits from the consumption and employment-related categories.

The total dollar benefits associated with either the consumption or employment category were comparable to that for the investment category. But the middle-income groups did not have much of an advantage over the highest income group in the fraction of these benefits that they received. As a consequence, the middle-income groups did not receive a net benefit, relative to the other income classes, from the tax-expenditure system viewed as a whole.

If the observed link between the income groups and the economic behavior categories is in fact strong, this suggests that further changes in the allocation of tax expenditures

among the economic categories, such as that observed between 1978 and 1980, could also be associated with a redistribution of tax-expenditure benefits among the income groups.

In the current economy there is concern both with increasing savings and investment and with aiding the middle class. The statistics based on tax-expenditure experience in 1978 suggest that there may be some incompatibility between those two goals since it is the highest-income group that traditionally has made the greatest use of investment-related tax expenditures. In the interest of fostering the dual goals of encouraging investment activities while benefiting the middle class, alterations of present tax expenditure policies might be considered.

There is little evidence from either economic theory or empirical analyses that higher rates of return—such as those offered by tax expenditures—actually increase the rate of savings in the economy. Nevertheless, efforts to use tax policy to encourage savings and investment are likely to continue. Evaluating the potential effectiveness of new policies to encourage additional savings and investment on the part of the middle class in particular would involve a far more careful analysis than this report can provide of differences in savings and investment behavior among income groups. The statistics presented in this report on the distribution of benefits from tax expenditures do, however, suggest a difference in the existing investment-related provisions which favor the middle-income groups in contrast to those which favor the high-income group.

As table 1 revealed, the middle-income groups receive a large fraction of the benefits from the dividend exclusion, the deferral of income on savings bonds, the exclusion of interest on life insurance savings, and the investment tax credit. In contrast, the high-income group receives a large fraction of the benefits from provisions for depreciation, expensing of costs, capital gains, and tax-exempt bonds. Two other categories frequently associated with saving by the middle income, but not included here in the investment category, are employer-sponsored pension plans, placed under employment, and home-ownership, placed under consumption.

Perhaps with the exception of the investment tax credit, the savings and investment programs associated with the tax expenditures favoring the middle income can be described by such phrases as forced savings, low risk, available in small denomination payments, and working through investment intermediaries. Keeping these qualities in mind may point to ways to alter tax-expenditure policies in order to encourage more investment and saving on the part of the middle-income groups.

One possibility is to increase the options for personal, voluntary contribution to tax-sheltered pension plans, even for people already covered by employer-sponsored plans. Another possibility is to offer middle income people investment options which have higher rates of return than savings bonds and life insurance but which still offer opportunities to defer taxation on the accumulating interest income.

Still another area to explore is reducing the bias in favor of owner-occupied housing as a vehicle for tax-deferred accumulation of capital gains and, most recently, as an essentially tax-free vehicle for retirement savings. Investment in productive (income-producing) assets, either directly or indirectly through financial and investment intermediaries, could receive tax treatment more in balance with housing to encourage the middle income to diversify their assets away from such a heavy concentration in owner-occupied housing.

Finally, offering a tax break in the form of an exclusion, such as the dividend exclusion, rather than a deduction, benefits even people who do not itemize their deductions, thus tending to benefit low- and middle-income taxpayers. The recent change in the law extending the exclusion to apply to interest as well as dividend income removes the provision's former bias toward stocks relative to interest-producing assets. (The dividend exclusion offsets in a small way the double taxation of corporate income.) But, if a stimulus for savings exists at all, raising the limit on the size of the exclusion provides an incentive for additional savings or investment only for those whose income from these sources previously was below the new limit.

The statistical findings of this report may have application to several policy areas. The analysis sheds light on some possible ramifications of controlling the tax-expenditure budget on certain economic categories and separate income groups. The calculations of the change in the four aggregate categories of economic behavior over time demonstrate how movements in the macroeconomy may be reflected in differences in the rates of expansion in the corresponding categories of tax expenditures. For the 1978 to 1980 period examined, paralleling other observations of the economy, the use of tax expenditures related to consumption grew more than the use of those related to investment. Most of all, the report emphasizes how economic behavior, as reflected in the use of tax expenditures, differs quite noticeably and systematically among the income groups. This suggests that policies designed to accomplish certain economic goals should anticipate the varying responses of these groups.

FOOTNOTES

[1] See Edgar K. Browning, Redistribution and the Welfare System (Washington, D.C.: American Enterprise Institute, 1975) and John J. Korbel, Poverty Status of Families Under Alternative Definitions of Income, **Background Paper No. 17** (Washington, D.C.: Congressional Budget Office, 1977).

[2] See Lillian Rymarowicz, Statistical Information on the Amount of Federal Funding Received by the Individual States Over the Past 20 Years, report of the Economics Division, Congressional Research Service, Library of Congress, Washington, D.C., November 6, 1979.

[3] Tax burdens can differ among taxpayers within the same income group. Tax liabilities will be lower for those taxpayers who make use of tax expenditure provisions than for those who do not.

[4] U.S. Senate, Committee on the Budget, Tax Expenditures: Relationships to Spending Programs and Background Material on Individual Provisions, Committee Print, 95th Congress, 2d Session (Washington, D.C.: U.S. Government Printing Office, 1978).

[5] For an exposure to the complexity of the task of allocating taxes and public expenditures to income classes, see Tax Foundation, Inc., Tax Burdens and Benefits of Government Expenditures by Income Class, 1961 and 1965 (New York: Tax Foundation, Inc., 1967). The Tax Foundation study states explicitly the many, frequently arbitrary assumptions it was necessary to make in order to allocate all Federal, state, and local taxes and expenditures to individual income classes.

For a more in-depth discussion of specific government-expenditure programs, their economic effect, and the methodology for estimating the distribution of their benefits across income brackets, see W. Irwin Gillespie, "Effect of Public Expenditures on the Distribution of Income," in Richard A. Musgrave, ed., Essays in Fiscal Federalism (Washington, D.C.: The Brookings Institution, 1965), pp. 122–186.

[6] For a fuller discussion of the concept of tax expenditures, an annotated list of tax expenditures including their Internal Revenue Code authority, and a bibliography on the topic, see U.S. General Accounting Office, Tax Expenditures. A Printer, PAD 80–26 (Washington, D.C.: U.S. General Accounting Office, 1979).

[7] See U.S. Office of Management and Budget, "Tax Expenditures," Special Analyses, Budget of the United States Government, Fiscal Year 1981 (Washington, D.C.: U.S. Government Printing Office, 1980), Special Analysis G, pp. 207–238.

[8] For other categorizations of tax expenditures and analyses of their economic effects, see Richard Goode, The Individual Income Tax, rev. ed (Washington, D.C.: The Brookings Institution, 1976), and Joseph A. Pechman, ed., Comprehensive Income Taxation (Washington, D.C.: The Brookings Institution, 1977).

[9] The measure of expanded gross income is an attempt to come closer to the concept of real economic income than the measure of adjusted gross income used on income tax returns. Expanded gross income is equal to adjusted gross income plus the untaxed part of capital gains, percentage depletion in excess of cost depletion, and other tax preferences subject to the minimum tax; the deduction of investment interest up to the amount of investment income is excluded. Thus the measure of expanded gross income tends to be larger than the measure of adjusted gross income, particularly for the higher income groups likely to be most affected by these investment-related adjustments to the definition of income. See Senate Budget Committee, Tax Expenditures, p. 6.

[10] The median family income in 1978 was $17,640. Thus, statistically, the middle class lies at the upper end of the $10,000 to $20,000 bracket, near the $20,000 to $30,000 range. The group in the $30,000 to $50,000 range is popularly considered the middle class or upper middle class. This leaves only the under $10,000 group as low income and the over $50,000 group as high income.

Median family income data from U.S. Department of Commerce, Bureau of the Census, *Current Population Reports, Consumer Income*, Series P–60, United States: 1978 (Advanced Report) (Washington, D.C.: U.S. Government Printing Office, 1979), p. 6.

[11] Senate Budget Committee, Tax Expenditures, p. 6.

[12] OMB, Special Analysis G., Fiscal Year 1981 Budget, p. 217.

[13] The full tax is a purely hypothetical concept since, if tax expenditures were eliminated, other tax obligations would no doubt be lowered to offset the additional revenues flowing from the broader tax base. Because we do not know how Congress would decide to distribute such a reduction in taxes across the income groups, we continue to use the present distribution of taxes actually paid as the basis of comparison.

The full tax method for evaluating the vertical equity of the tax system among income groups is explained by Richard A. Musgrave and Peggy B. Musgrave in their *Public Finance in Theory and Practice* (New York: McGraw-Hill Book Company, 1973), pp. 249–252. The findings presented here for 1978 are consistent with Musgrove and Musgrove's findings for 1972.

[14] For further explanation of the changes in tax expenditures between 1978 and 1980, see Special Analysis G, 1981 Budget, pp. 217–229.

TABLE A-1.—ESTIMATED DOLLAR VALUE OF TAX EXPENDITURE BENEFITS BY BEHAVIOR CATEGORY AND INCOME CLASS, FISCAL YEAR 1978

[In millions of dollars]

Behavior category	Expanded gross income class					
	All	Under $10,000	$10,000 to $20,000	$20,000 to $30,000	$30,000 to $50,000	Over $50,000
Investment	22,626	876	2,369	2,316	3,606	13,459
Consumption	32,512	1,095	6,975	8,503	6,942	8,997
Employment	22,498	2,134	6,458	5,680	3,891	4,335
Need	12,128	6,621	3,030	1,256	750	470
Total	89,764	10,726	18,832	17,755	15,190	27,261

Source: CRS calculations based on 1978 dollar value and percentage distribution data presented in tables 1 through 4. These numbers are the basis for the total percentages for the economic behavior category in tables 1 through 4 and for the percentage calculations presented in tables 5 and 6.

TABLE A-2.—ESTIMATED DOLLAR VALUE OF ADJUSTED GROSS INCOME AND TAXES PAID FOR CALENDAR 1977 AND OF TAX EXPENDITURES AND FULL TAXES FOR FISCAL 1978, BY INCOME CLASS

[In millions of dollars]

	Income class [1]					
	All	Under $10,000	$10,000 to $20,000	$20,000 to $30,000	$30,000 to $50,000	Over $50,000
(1) Adjusted gross income	1,094,410	140,362	369,635	289,864	172,684	122,237
(2) Taxes paid	159,331	9,082	39,788	40,755	31,390	38,274
(3) Tax expenditures	89,764	10,725	18,832	17,755	15,190	27,261
(4) Full taxes (2)+(3)	249,095	19,807	58,620	58,510	46,580	65,535

[1] Distribution of tax expenditure benefits based on expanded gross income classes (defined in footnote 9, p. 13) for fiscal year 1977–78. Distributions of adjusted gross income and taxes paid based on adjusted gross income classes with data from taxable returns filed for the 1977 calendar year.

Sources: Estimates of tax expenditure benefits from table A-1, last row, Total. Adjusted gross income and taxes paid from Department of the Treasury, Internal Revenue Service, "Preliminary Statistics of Income, 1977, Individual Income Tax Returns" (Washington, D.C.: U.S. Government Printing Office, 1979), table 1, pp. 15–18. Full taxes, row (4), equal the sum of taxes paid, row (2), and tax expenditures, row (3).

TABLE A-3.—CHANGES IN INVESTMENT-RELATED TAX EXPENDITURES, 1978 TO 1980

[In millions of dollars]

Tax expenditure	Total benefits to individuals		
	Fiscal year 1978	Fiscal year 1980	Change, 1978 to 1980
Investment expenses:			
Investment tax credit	2,390	2,910	520
Expensing of certain agricultural outlays	445	430	−15
Depreciation:			
Excess 1st-year depreciation	145	135	−10
Depreciation on rental housing in excess of straight line	300	285	−15
Depreciation on other buildings in excess of straight line	125	120	−5
Asset depreciation range	115	150	35
Excess of percentage over cost depletion	340	1,150	810
Expensing of intangible drilling, exploration, and development costs	300	610	310
Expensing of construction period interest and taxes	140	140	0
Expensing of research and development costs	30	35	5
Housing rehabilitation: 5-yr amortization	10	10	0
Investment credit for rehabilitation of structures		60	60
Tax incentives for preservation of historic structures		25	25
Exclusion of certain agricultural cost-sharing payments		30	30
Investment income:			
Capital gains: Exclusion and deferral of capital gains transferred at death and by gift	5,116	4,750	−366
Capital gains (other than farming, timber, iron ore, and coal)	7,430	13,855	6,425
Capital gains treatment of certain income related to farmland	350	385	35
Capital gains treatment of certain income related to timber	60	120	60
Capital gains treatment of royalties on coal	50	75	25
Capital gains treatment of royalties on iron ore	5	10	5
Exclusion of interest on life insurance savings	2,025	3,365	1,340
Tax-exempt bonds:			
Exclusion of interest on general purpose State and local debt	1,925	2,365	440
Exclusion of interest on State and local industrial development bonds	115	305	190
Exclusion of interest on State and local government pollution control bonds	110	240	130
Exclusion of interest on State and local housing bonds		180	180
Deferral of income on savings bonds	625	290	−335
Dividend exclusion	475	490	15
Total, investment related	22,626	32,520	9,894

Sources: See notes to table A-6.

TABLE A-4.—CHANGES IN CONSUMPTION-RELATED TAX EXPENDITURES, 1978 TO 1980

[In millions of dollars]

Tax expenditure	Total benefits to individuals		
	Fiscal year 1978	Fiscal year 1980	Change 1978 to 1980
Deductibility of nonbusiness State and local taxes (other than on owner-occupied homes and gasoline)	8,505	14,665	6,160
Deductibility of nonbusiness State gasoline taxes	760		−760
Deductibility of property taxes on owner-occupied homes	4,665	7,740	3,075
Deductibility of mortgage interest on owner-occupied homes	4,985	12,505	7,520
Deductibility of charitable contributions:			
Education	585	765	180
Health	875	1,145	270
Other	4,370	5,725	1,355
Deductibility of medical expenses	2,435	3,585	1,150
Deductibility of interest on consumer credit	2,120	3,595	1,475
Deferral of capital gains on homes sales	935	1,010	75
Exclusion of capital gains on home sales for persons age 65 and over/55 and over	70	535	465
Parental personal exemption for students age 19 or over	770	1,030	260
Exclusion of scholarship and fellowships	295	375	80
Exclusion of GI bill benefits	200	160	−40
Credit for child and dependent care expenses	525	820	295
Deductibility of casualty losses	360	590	230
Credits and deductions for political contributions	60	100	40
Residential energy credits		460	460
Total, consumption-related	32,515	54,805	22,290

Sources: See notes to table A-6.

TABLE A-5.—CHANGES IN EMPLOYMENT-RELATED TAX EXPENDITURES, 1978 TO 1980

[In millions of dollars]

Tax expenditure	Total benefits to individuals		
	Fiscal year 1978	Fiscal year 1980	Change 1978 to 1980
Net exclusions of pension contributions and earnings:			
Employer plans	9,940	12,925	2,985
Plans for self-employed and others	1,650	2,125	475
Exclusion of employer contributions for medical insurance premiums and medical care	6,340	12,965	6,625
Exclusion of benefits and allowances to Armed Forces personnel	1,260	1,470	210
Exclusion of other employee benefits:			
Premiums on group term life insurance	905	1,485	580
Premiums on accident and accidental death insurance	75	90	15
Privately financed supplementary unemployment benefits	10	10	0
Contributions to prepaid legal services plans	10	20	10
New jobs tax credit	985		−985
Targeted jobs credit		10	10
Credit for employment of AFDC recipients and public assistance recipients under work incentive (WIN) programs		5	5
Maximum tax on earned income	665	1,265	600
Exclusion of certain income earned abroad by U.S. citizens	360	555	195
Exclusion of employee meals and lodging (other than military)	300	350	50
Employer educational assistance		30	30
Total, employment related	22,500	33,305	10,805

Sources: See notes to table A-6.

TABLE A-6.—CHANGES IN NEED-RELATED TAX EXPENDITURES, 1978 TO 1980

[In millions of dollars]

Tax expenditure	Total benefits to individuals		
	Fiscal year 1978	Fiscal year 1980	Change, 1978 to 1980
Exclusion of social security benefits:			
For the aged (OASI)	4,210	6,880	2,670
For the dependents and survivors	950	990	40
For the disabled	550	685	135
Exclusion of railroad retirement benefits	265	330	65
Exclusion of veterans' benefits:			
Disability compensation	840	1,050	210
Pensions	40	50	10
Exclusion of military disability pensions	115	125	10
Exclusion of workers' compensation benefits	835	1,165	330
Exclusion of special benefits for disabled coal miners	50	50	0
Earned income credit:			
Refundable	945	1,696	751
Nonrefundable	285	415	130
Exclusion of unemployment insurance benefits	1,200	2,495	1,295
Additional exemption for the elderly	1,155	1,970	815
Exclusion of public assistance benefits	345	395	50
Tax credit for the elderly	250	135	−115
Exclusion of sick pay/disability	75	185	110
Additional exemption for the blind	20	40	20
Total, need related	12,130	18,656	6,526

Sources: For 1978, U.S. Senate, Committee on the Budget, Tax Expenditures: Relationships to Spending Programs and Background Material on Individual Provisions, committee print, 95th Congress 2d session (Washington, D.C.: U.S. Government Printing Office, 1978). For 1980, U.S. Office of Management and Budget, "Tax Expenditures," Special Analyses, Budget of the United States Government, Fiscal Year 1981 (Washington, D.C.: U.S. Government Printing Office, 1980) Special Analysis G, pp. 230–234.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

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

ROUTINE MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, there will now be a period for the transaction of routine morning business for a period not to exceed 30 minutes, during which Senators may speak for a period of time not to exceed 5 minutes each.

Mr. HART. Mr. President, I ask unanimous consent that I be recognized for 15 minutes.

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

Mr. HART. Yes.

Mr. BAKER. Mr. President, I ask unanimous consent that the order previously entered in respect to morning business be changed so that the period for the transaction of morning business may extend for not more than 1 hour in which Senators may speak for not more than 15 minutes each.

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

Mr. BAKER. Mr. President, I thank the Senator from Colorado for yielding.

THE NEED FOR THOUGHTFUL NAVAL PLANNING

Mr. HART. Mr. President, one of the issues which increasingly interests and increasingly troubles many Members of the Senate is the state of the U.S. Navy. Most Senators are aware that the Navy has, in recent years, faced a number of serious problems. It has been challenged for control of the sea by a growing Soviet naval capability. It has seen large numbers of its ships reach the ends of their planned service lives over a short period of time. It has encountered serious problems in recruiting and, even more, retaining skilled personnel. It has not received the level of funding for naval shipbuilding which the Navy, and others, including myself, have felt necessary.

The Senate and the Congress as a whole have attempted to alleviate the Navy's problems. Particularly, former Senator Robert Taft, Jr., of Ohio began the work in the Senate some years ago, pointing out that the United States is, by nature, a maritime nation, requiring a maritime strategy. He proposed innovative shipbuilding programs, including smaller aircraft carriers, conventional as well as nuclear attack submarines, and high-technology warships such as surface effect ships and hydrofoils. The Senate has since taken many shipbuilding initiatives originally recommended by Senator Taft, and the Congress has consistently raised the naval shipbuilding budget above the level recommended by the President.

President Reagan, Secretary of Defense Weinberger and the other officials of the new administration's Defense Department now face the same challenges. Fortunately, they appear to recognize the need for a larger, more powerful Navy. They have acknowledged the need for greater attention to personnel issues, and for more funding for operations and maintenance. And, of course, these views are welcome.

But, the most controversial, and perhaps most difficult question remains unresolved: What kind of Navy should we build? We cannot expect a new administration, after only several weeks in office, to be able to answer this question fully. Indeed, I hope administration officials will not attempt to answer it too quickly, before they have had sufficient time to reflect on the matter, to listen to all sides in the debate, and to weigh alternatives and combinations of alternatives carefully.

Mr. President, I also hope that this administration will recognize the critical importance of the question. However much money we spend on shipbuilding, however much we improve readiness and the personnel situation, if we build the wrong kinds of ships, reflecting the wrong concepts, we will end up with a weaker Navy in the future, not a stronger one; and a weaker country, not a stronger one.

While the administration has not yet indicated which direction it wants to go in naval shipbuilding, the leadership of the Navy—both military and civilian—reportedly has made some recommendations on this subject. These reported recommendations raise some concern.

Secretary Lehman has reportedly outlined a new naval strategy and a shipbuilding program to implement it. The program would be focused on the carrier battle group, beginning construction of another *Nimitz*-class nuclear carrier and pulling the *Oriskany* carrier out of mothballs. It would also form battleship battle groups, using battleships modified to carry a large number of long-range cruise missiles.

According to some sources, some of the Navy's leadership is also seeking a long-range program which builds on this start and contains little innovation. It places heavy emphasis on the carrier battle group, built around the large, nuclear-powered carrier. It reportedly calls for reinstituting the nuclear cruisers program, with plans for up to five nuclear cruisers of the *California* and *Virginia* classes. It may seek to reactivate all four mothballed battleships. Attack submarines construction is apparently to remain focused exclusively on the nuclear-powered SSN–688 class: A capable boat, but one so expensive it cannot be afforded in the needed numbers.

The reported fiscal year 1982 shipbuilding program, which includes long-lead funds for a nuclear carrier but not for a light carrier, and which contains funds for reactivation of a battleship, appears consistent with these reports about the Navy's longer range goals.

Before this approach is embodied in a new 5-year shipbuilding program, I hope the administration will take a hard look at the serious deficiencies of such a program.

For some years, a growing number of naval analysts and Members of Congress have recognized that even with substantial increases in the Navy's shipbuilding budget, we can never have enough ships if each ship we build is extremely expensive. A single nuclear carrier battle group, with its aircraft and escort ships, costs about $10 billion in procurement costs alone. Since it takes three carriers to keep one on station, it would require an addition of $30 billion to the ship procurement budget just to face the Soviets with a single additional battle group. Such an expensive approach is hardly likely to reverse the current unfavorable trend in the naval balance.

There are some alternatives to the big carrier approach.

We could purchase three light carriers, of about 40,000 tons each, for the cost of a single *Nimitz*-class carrier.

We could purchase approximately two conventional Aegis cruisers for the cost of a single nuclear cruiser.

We may be able to meet the Marine Corps' legitimate need for additional landing fire support in ways which are both less expensive and more effective than recommissioning battleships. We currently have in reserve two *Salem*-class cruisers, each of which carrys nine automatic eight-inch guns. These unique guns permits each ship to fire a broadside of approximately 80 rounds per minute.

This could provide the fire support needed by an amphibious landing more effectively than could battleships, whose guns are larger, but have a much slower rate of fire. Yet the cost of recommissioning these cruisers, and of supporting them once they were returned to service, might be substantially less than that of the battleships, freeing funds for other needed ship construction.

In submarines, we clearly need numbers greater than the current force level goal of 90 attack boats.

Yet, with a single SSN–688 class attack submarine costing over $500 million, we will be fortunate if we can afford just to sustain 90.

Modern diesel-electric submarines are highly effective, and while they cannot perform all the missions of which a nuclear submarine is capable, they can do many of them. In some missions they are actually somewhat superior because of their smaller size and greater quietness on patrol. And they can be acquired for as little as $100 million each, only one-fifth as much as the SSN–688 class. We could make good use of such conventional submarines, as additions to a force of 90 nuclear boats.

New technologies create other interesting possibilities. With V/STOL aircraft such as the Marines' Harrier, we could have carriers even smaller than the proposed 40,000-ton light carrier, again, as supplements to the larger ships. A single class of such ships, built in two varients, could provide both V/STOL carriers and needed amphibious assault ships.

New hull technologies offer other op-

portunities. The PHM hydrofoils have proven quite useful, more could be constructed at relatively low cost. With modular armament, they could serve in anti-submarine and radar early warning roles in addition to their current surface attack role. They might be well suited to provide some of the escort force for a light carrier.

A shipbuilding program which ignores these needs and opportunities is not likely to give us a stronger Navy. It will be more costly Navy, but it will still lack the numbers of ships needed in a conflict. It will be a Navy whose characteristics are well known to the opponent, who will have had decades to prepare his systems and tactics to defeat that predictable Navy. It will leave potentials such as new technology ships to the opponent, who, if past experience is a guide, will take advantage of these opportunities

The administration faces many challenges, many of seemingly greater importance than this one. But in virtually every case, the nature of the challenge is the same. It is a challenge to innovate. In neither social policy nor defense will mere repetition of past actions produce positive results.

Mr. Weinberger and President Reagan must realize this in relation to the Navy, as clearly as they seem to in other areas. A naval program which merely repeats the types of ships we have built in the past, for the types of missions and tactics we have had in the past, will not give us a more effective defense.

Mr. President, I think it would be tragic for our country to call upon our people to sacrifice to increase defense spending dramatically and the result is a weaker rather than a stronger, nation.

UNITED STATES ASSISTANCE TO EL SALVADOR

Mr. CRANSTON. Mr. President, I question the advisability of the Reagan administration's decision to send another 20 U.S. military personnel to El Salvador. I believe that if we continue to increase this type of military presence in El Salvador—we will now have 78 military personnel there, including the embassy Marine guards—it could lead to greater American involvement in the El Salvadoran civil war. U.S. advisers will be prime targets for extremists on the right and left who seek escalation of the current conflicts.

I think it is noteworthy in this respect that the moderate President of El Salvador, Jose Napoleon Duarte, has expressed a desire to limit the U.S. presence in El Salvador and specifically requested that the United States reduce the number of new advisers which we proposed to send. I would therefore oppose any further increase in the number of U.S. advisers beyond what the Reagan administration has announced this week. Enough is enough.

I am also concerned by the decision to send an additional $25 million in military arms, unless this aid is conditioned upon renewed commitments by the El Salvadoran authorities to move forward on essential political and land reforms and to continue efforts to check rightist violence.

I have been closely monitoring the situation in El Salvador because of the threat posed to El Salvador's security by the recent influx of arms from a number of communist countries and because of my deep concern regarding flagrant human rights violations in that country.

I share the concerns expressed by administration officials regarding the flow of arms to guerrillas in El Salvador from communist countries and terrorist organizations such as the Palestine Liberation Organization. And I support efforts by the United States to enhance the ability of the authorities in El Salvador to interdict this illicit flow of weapons.

I believe that all U.S. military and economic assistance to the El Salvadoran authorities should be conditioned on continued commitment by both the civilian and military leaders in their government to significant reforms. It is these reforms which hold the promise of drying up remaining political support for the military opposition to the Duarte regime.

It is essential for the El Salvadoran Government to make better efforts to check violence by right-wing "death squads" opposed to these important reforms, and to investigate the murder of American church and labor leaders in El Salvador.

If the Reagan administration is serious about combating international terrorism, it should make energetic efforts to halt the reported funding by expatriate El Salvadoran millionaires in Miami of right-wing death squads who are operating with impunity within El Salvador. I understand an FBI investigation into this so-called "Miami connection" is moving forward slowly. This investigation should be speeded up: The administration's zeal in opposing the flow of arms to left-wing guerrillas must be matched by a vigorous commitment to block the flow of support to right-wing terrorists in El Salvador which is apparently emanating from Miami. These individuals in Miami are apparently abusing U.S. hospitality and are in violation of U.S. law if they are providing unregistered cash for the purpose of running guns to right-wing terrorists in El Salvador.

I am concerned by the magnitude of the proposed increase in military assistance to El Salvador—which precedes any new proposal to send economic assistance and which may be more than the El Salvadorans' legitimate need. I believe we should consider conditional military aid only in response to specific requests from the Duarte regime.

President Duarte clearly prefers U.S. economic assistance to an increased U.S. military presence. It is this U.S. economic assistance—together with progress on political and land reforms—which provides the brightest hope for an end to the violence and for a better future for the people of El Salvador.

In assisting the El Salvadoran Government, the United States should encourage it not to seek a purely military solution to the current civil war. We should work with the nations of the OAS—especially Mexico—to see if there are opportunities for joint initiatives to stem the flow of weapons to the guerrillas and to initiate a dialog between the warring factions in El Salvador.

AN ECONOMICS LESSON FROM JAPAN

Mr. LEVIN. Mr. President, the February 27 Wall Street Journal carried a story that I want to call to the attention of those who oppose attempts to negotiate or legislate restraints on the importation of Japanese cars into this country.

The story, in very clear terms, details the call by Japan for a reduction by U.S. lumber firms in the amount of wood they export to Japan. The Japanese rationale for restraint is simple: They fear that continued exports will drive many of their local lumber firms into bankruptcy. Japan is not prepared to see its domestic industry harmed and their response is designed to protect their economy.

Mr. President, everyone tells us that the American auto industry ought to learn a lesson from Japan; that the car makers should emulate Japanese technology and products. I think its time that the American Government learned a lesson from Japan as well and started to emulate that Government's interest in preserving a viable economic structure. Just as Japan wants to protect its economy, I believe that America ought to protect its economy. And that means that we ought to be acting now to curtail Japanese auto imports.

The administration is still debating their approach to this problem. Secretary Lewis is scheduled to give the International Trade Subcommittee a status report on the deliberations of his task force next week. In that report, I hope he addresses the fundamental question which has bothered so many of us for so long: Why are we virtually the only major industrial nation in the world which matches its belief in free trade with an open door policy?

Free trade is a fine idea, but to be practical, it has to be a universal idea. The plain truth is that free trade is not being practiced by Japan. The General Accounting Report on Trade issues released last year demonstrates conclusively that non-tariff barriers erected by Japan restrict our ability to send our cars to their country. Recent surveys of industrial practices around the world show that virtually all countries have some kind of local content requirements or protective tariffs and taxes. But the United States persists in opening its doors to foreign trade and closing the doors of employment opportunity on its own citizens.

President Reagan's budget calls for significant reductions in programs designed to support the unemployed. I would suggest that we could reduce expenditures for such programs—without changing their structure—if we had the kind of trade policy which would stimulate domestic industrial growth and employment.

The President has an opportunity to do that. He has the power, the unques-

tioned power, to enter into negotiations with Japan right now—negotiations which could lead to import restraint. Congress has the opportunity to act as well. Senators DANFORTH and BENTSEN have introduced legislation calling for quotas, and while I think their limit is too high, I have been proud to be associated with their efforts.

But having the opportunity and taking advantage of it are two different things. President Reagan pledged during his campaign last year that he would take whatever action was required to convince Japan not to flood our market with their cars and flood our welfare offices with American workers.

It was a nice promise, but it does not do much for the unemployed workers or the companies which have reported record breaking losses in the last few weeks.

The time for promises has come and gone. Japan is ready to take action to protect their lumber industry. And I suggest that its time we take action to protect our auto industry.

Mr. President, I ask unanimous consent that the Wall Street Journal article describing the Japanese response to the threat to their lumber industry be printed in the RECORD.

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

JAPAN ASKS U.S. LUMBER TO REDUCE EXPORTS IN FURTHER SETBACK TO THE INDUSTRY

(By Marilyn Chase)

SAN FRANCISCO.—The slumping U.S. lumber industry was dealt another blow as Japanese lumber dealers, in an apparent about face, called for the U.S. and Canada to cut their lumber exports to Japan this year 50 percent.

In U.S.-Japanese trade, the shoe usually is on the other foot, with American industries asking Japan to limit its exports of autos and other items to this country. But Japan cited an alarming rise in inventories and domestic prices that have plunged 15 percent below the cost of imports amid falling housing starts. The Japanese warned that many of their 43,000 lumber dealers will go bankrupt soon unless North American exports of finished lumber are swiftly and sharply curtailed.

This came as a surprise to U.S. observers who recalled that last fall's bilateral talks between U.S. and Japanese industry and government officials had ended with a consensus that the Japanese would expand—rather than contract—their imports.

"If they're going to keep the good faith generated at those meetings, they should expand lumber imports as they stated they would last fall," said Gus Kuehne, executive vice president of the Northwest Independent Forest Manufacturers.

Mr. Kuehne and other observers admitted to some skepticism at the Japanese forecast of expanded U.S. imports last fall. However, he said that he wasn't prepared for such a dramatic cutback request either. "We just didn't think business would expand quickly," he said.

"If they're successful and sales do go down, it will mean additional curtailment of production in the West," he said. And in view of the industry's already depressed state, he warned: "Every drop means that that many more will be unemployed."

Weyerhaeuser Co. executives noted that most of recent North American increases in lumber exports have come from Canada. "So if there's any cutback in lumber exports, it shouldn't be from the U.S.," Mr. Kuehne argued. He noted about 90% of U.S. forest products exported to Japan are logs, rather than finished lumber, while about 85% of Canadian exports are finished lumber.

Other observers saw Japanese inventory and pricing difficulty as a short-term problem that arose from overzealous purchases last year. "The Japanese buy like crazy when business is good, and turn off the spigot when business is weak," one analyst said. "And in 1979 and early 1980, they were buying as if there were no tomorrow."

"No doubt about it, it is bad right now," concurred H. A. Roberts, executive vice president of the Western Wood Products Association. "But it shouldn't affect potential product exports to Japan over the long run."

Negotiations between U.S. and Japanese lumber industries are set to continue in three weeks in Japan, and Mr. Roberts said he plans to tell his Japanese counterparts "that the U.S. group wants to be positive in its outlook, but we aren't going over there with great expectations." "I'm skeptical about how much the Japanese will upgrade their purchases from lumber to finished products," he said. "After all, they have a lot invested in their own finishing plants.

Mr. Kuehne, however, was adamant. "At a time when we have U.S. mills built to cut lumber to Japanese specifications, they come out with an announcement that strikes at the very heart of any effort to increase our exports and improve sales."

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

The PRESIDING OFFICER (Mr. SYMMS). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

MRS. ANN WOOLLEY, NATIONAL PRESIDENT, AMERICAN NATIONAL COWBELLES, INC.

Mr. BOREN. Mr. President, all Oklahomans are proud of the fact that one of our State's citizens, Mrs. Ann Woolley of Ada, Okla., was elected February 3 as the new national president of the American National CowBelles, Inc., an organization which disseminates factual information on beef and serves as the voice of women in the cattle industry.

Ann Woolley is the third generation of her family to be involved in ranching. She grew up in Hominy, Okla., and she and her husband, Walter, run a commercial cow/calf ranch out of Ada, Okla.

During her address to the general membership of the CowBelles at the group's 30th annual convention in Phoenix, Mrs. Woolley stated that:

It is a time for all cattle producers to work together to attain a greater share of the marketplace both at home and abroad. We need to push for a strong nationwide advertising campaign and education of the great American public to the role that beef plays in their lives. If CowBelles and cattlemen do not do it for themselves no one else will.

Mrs. Woolley served 6 years on the CowBelles' executive committee, was the first chairman of American Ag Day, co-chairman of the National Beef Cook-Off contest, chairman of the budget committee and served as regional coordinator for the seven American National CowBelle regions in the United States.

She is past president of the Oklahoma CowBelles, is an active member of the First Presbyterian Church of Ada, has been president of the PTA, president of the Wednesday Morning Music Club, president of the country club women's auxiliary, president of the ladies golf association and a member of the Daughters of the American Revolution and the Ada Arts and Humanities Council. In 1980 she was chosen to be 1 of 17 "Ladies in the News in Oklahoma," a selection made by the Oklahoma Hospitality Club of Oklahoma City.

The Woolleys have four daughters, three of whom are university graduates and a fourth, who is a sophomore at Oklahoma State University.

I am confident that, as president of the National CowBelles, Ann Woolley will continue to display the talent, integrity, and devotion which she has shown in her many other pursuits in civic and church work. She is a very productive citizen of our State, and Oklahomans have great pride in her accomplishment in attaining this high office where she will be an outstanding representative of Oklahoma's No. 1 industry—farming and ranching.

DOD CONSULTANT POLICIES

Mr. THURMOND. Mr. President, tighter control of Defense Department consultant contracts is mandatory.

Today I have dispatched a letter to Defense Secretary Caspar Weinberger urging he give immediate attention to this matter.

Especially disturbing is the practice of contract awards to consulting firms when the work, if necesary, should be done internally. Furthermore, the trend toward awarding contracts to firms recently staffed by former Pentagon employees raises serious ethical questions.

Mr. President, an article on this subject by Columnist Jack Anderson deserves the attention of the Congress. I ask unanimous consent that this article, entitled "Fast-Buck Operators Milk Sacred Cow," which appeared under Mr. Anderson's byline in the March 4, 1981, issue of the Washington Post, be printed in the RECORD.

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

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

FAST-BUCK OPERATORS MILK SACRED COW

(By Jack Anderson)

The Defense Department has become the only sacred cow to survive the determined budget-cutters of the Reagan administration. Yet there is overwhelming evidence that the Pentagon cow is being milked for hundreds of millions of dollars in dubious contracts each year.

In the process of hiring private consultants for work their own employes should be doing, the brass hats are turning over control of defense policies to a small clique of outside "experts" motivated more by profits than patriotism. These specialized consulting firms are packed with former Pentagon personnel, who usually get favored treatment from their onetime buddies in the military.

A still-classified government report reviewed by my associate Indy Badhwar chronicles appalling waste, mismanagement, greed and conflicts of interest that threaten to

make the Pentagon a private fiefdom of fast-buck operators. Some details from the report:

More than half of all Department of Defense contracts go to companies that employ or were formed by former military or civilian DOD officials.

A private consulting firm was hired for $294,000 (a contract price that soon almost doubled) to study drug and alcohol abuse in the armed forces. Though there were Pentagon employes qualified to make the study at lesser cost, the brass hats explained that an "outside" contractor would provide a more objective report. The vice president of the "outside" firm was the former director of Pentagon research into prevention of drug and alcohol abuse.

Nearly 60 percent of all contracts are renewed repeatedly—a circumstance referred to by insiders as the "from-here-to-eternity gravy train."

A contractor was hired for $190,000 to teach Navy personnel how to improve cost analyses on missile work. The contractor then suggested that his firm take over the cost analyses—in other words, do what he was originally hired to teach Navy employees to do. The Navy bought the proposal, and the contract is now in its seventh year.

An $80,000 contract was awarded for "studies on nonpecuniary factors in the federal approach to pay comparability and the feasibility of monetizing these nonpecuniary factors for consideration in the pay comparability process." When auditors asked if this incredible gobbledygook made any sense, a top official replied airily: "That's what makes it interesting."

A contractor was paid $43,000 from the Navy for technical data on a naval test range. He got the data from the Navy itself.

The Air Force paid a contractor $50,000 to correct a malfunction in a missile mockup. An Air Force engineer had already solved the problem.

An Air Force contractor was awarded $1.4 million to correct deficiencies in another firm's multimillion-dollar project. With 80 percent of the money spent, the contractor demanded $400,000 more to complete his job. The money wasn't available, so the contractor walked away when he had spent the original $1.4 million, leaving civil servants to pick up the pieces.

A contract to provide support services for the Army's Hawk missile has been modified 60 times, raising the cost from $6 million to $33 million and delaying completion by a year.

DISABLED AMERICAN VETERANS

Mr. ROBERT C. BYRD. Mr. President, every year the Disabled American Veterans (DAV) comes to Washington to formally present its views to the Congress. I wish to submit for the RECORD Senator CRANSTON's statement to the group, given at this year's annual meeting on February 24.

Every Member of this body is aware of Senator CRANSTON's compassion and understanding in responding to the needs of our wartime veterans. There are now some 2.3 million veterans receiving service-connected disability compensation. Understandably, this program is of major importance to our Nation's veterans.

Senator CRANSTON, as chairman and now as ranking minority member of the Veterans' Affairs Committee, has been an eloquent spokesman for those men and women who have endured hardship and sacrifice in the service of our country. His effective leadership has resulted in significant improvements in many different veterans' programs.

The statement follows:

DAV LEGISLATIVE PRESENTATION

Thank you, all, and welcome to all of you here this morning, and a special welcome to National Commander Stan Pealer. I look forward to hearing the D.A.V.'s legislative goals and priorities.

I'd also like to welcome especially my fellow Californians who are here this morning—National Senior Vice Commander Sherman Roodzant and Bob Jordan, National Service Officer. Would you and the other members of the California delegation please stand and be recognized?

[Applause.]

Next, I want to congratulate immediate past National Commander Paul Thompson on his fine record of achievement and leadership this past year, and to note the presence here of one of your most distinguished past national commanders and my very close friend and counselor, Oliver Meadows.

Would Paul and Oliver please stand so we can acknowledge their great work.

[Applause.]

I also want to say a special word of thanks to the outstanding national headquarters staff of the D.A.V., with whom I've worked so closely and from whom I've received such excellent cooperation and assistance—"Gabby" Hartnett, Rick Heilman, Butch Joeckel, Ron Drach, Steve Edmiston, Bill Gearhart, Art Wilson, and others—while I was chairman of the committee. I look forward to continuing our productive working relationship.

Looking back, I think we can see just how productive it's been.

Last year, during a period of tight budgetary restraint, working closely together in a bipartisan manner, we were able to build a very good record of responding to the needs of our service-connected disabled veterans—this committee's top priority.

First, we were able to provide fair cost-of-living increases in the compensation and D.I.C. programs—although, budget restrictions unfortunately prevented our making the 14.3-percent increase applicable across the board.

In addition, we enacted the first comprehensive revision in 37 years of the V.A.'s chapter 31 program of rehabilitation for service-connected veterans, including two of your major goals—expansion of services for very severely disabled veterans and emphasis on helping the veteran obtain and retain suitable employment. I'm very proud of this legislation.

In the same new law, we improved employment programs for veterans—especially disabled veterans and Vietnam-era veterans—including a permanent statutory base for the very successful D.-VOP program.

Last year's comp. bill also established a new program of special home adaptations—sought by your organization—for certain veterans with service-connected loss of both hands or service-connected blindness.

In the all important health-care area, we also did well for service-connected veterans. By an historic, 85-to-zero vote in the Senate, we overroad the ill-advised presidential veto of the physicians special pay bill. The law we enacted, by dealing effectively with the recruiting and retaining of V.A. health-care personnel—should do much to help guarantee a strong, independent V.A. medical system.

In the appropriations process—again with your great help—we added $32 million to the V.A.'s budget request for medical care, including funding for 1,176 additional health-care workers. And I am very pleased to report that the comptroller general of the United States has just ruled, pursuant to our request for a formal ruling, that a 1979 law I proposed makes it unlawful for the administration to apply its current hiring freeze to any positions in the V.A. health-care system.

I believe the Comptroller General is 100-percent right on this! So does the V.A.'s General Counsel. But, as always O.M.B. is dragging its feet. We've got to work together on this. It's time for O.M.B. to obey the law and give V.A. health-care programs the support and the staff that the Congress has mandated.

With respect to legislation this year, it appears that President Reagan will continue the policy of proposing an adequate cost-of-living increase in compensation and D.I.C. but whether he does or not, I pledge that I'll do my best to see that we keep faith with service-connected disabled veterans hit with double-digit inflation.

With respect to the upcoming Fiscal Year 1982 budget and appropriations processes, we don't yet know what cuts will be proposed from President Carter's quite effective V.A. health-care budget request. But I want to assure you that, in reviewing any proposals for changes, I will not support any that would impair the independence or integrity of the V.A. health-care system or lower the quality of its health-care services. That must not happen!

Also, we must insist on adequate funding to implement the chapter 31 improvements enacted last year.

On the legislative front, two bills I've introduced respond directly to D.A.V. resolutions—S. 415 to increase the specially adapted housing grant, and S. 416 to increase the adaptive auto assistance grant and provide certain service-connected veterans—who don't qualify for the grant—with adaptive equipment they need to operate a car safely.

Also, I've introduced S. 458 to extend by two years both the eligibility period for Vietnam-era veterans to request V.A. readjustment counseling services and to receive V.R.A. appointments in Federal positions. The D.A.V. has been most responsive to maintaining effective programs such as these that respond to the needs of Vietnam veterans and I look forward to your continued support.

I firmly believe that it is by continuing to deal honestly and responsibly with the difficult issues of special importance to Vietnam veterans—such as agent orange—that we can best say to these veterans that the Nation is truly grateful for their service and sacrifices on our behalf.

Another important agenda item is to improve V.A. benefits for ex-P.O.W.'s. I will be introducing a bill very shortly to ensure that these who have endured so much receive no less than their due.

Finally, I greatly appreciate the help you've given me in refining the bill, S. 417, I introduced this year to provide a new G.I. bill program for the all-volunteer force. I believe we need prompt enactment of legislation to help recruit and retain the military personnel needed to provide for a strong national defense.

Truly, there is much to do this year. As ranking minority member of this committee, I look forward to working closely with your outstanding organization, to receiving your input, and to getting the job done once again for America's veterans.

THE SENATE'S AGENDA

Mr. BAKER. Mr. President, I understand that certain negotiations are underway now in respect to a time agreement and other arrangements that may lead to an orderly disposition of the so-called cash discount bill which I had indicated on Tuesday I intended to ask unanimous consent to proceed to or move to the consideration of that item on the legislative calendar.

While those negotiations proceed, I think it is clear now that there is no

further morning business to be transacted for the moment.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

THE CRISIS IN THE AUTO INDUSTRY

Mr. DANFORTH. Mr. President, the auto industry remains in a state of crisis despite a rebate-led sales surge in late February by several U.S. automakers. Domestic sales of U.S.-made cars were down 4.2 percent from February of last year. The late month rally came at a very high price. GM began offering rebates of $500 to $700. Chrysler offered rebates of 7 percent on most of its cars. Ford offered rebates of 10 percent and still suffered a year-to-year sales decline in late February while others were improving. Industry analysts are reported to expect another slump when the rebates expire. U.S. automakers clearly cannot depend on such rebates to spur sales and meet their commitment to invest $70–$80 billion in retooling over the next several years.

Mr. President, I ask unanimous consent that the Senator from Louisiana (Mr. LONG) be added as a cosponsor to S. 396.

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

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

FOREIGN POLICY STRATEGIES AND CONCERNS

Mr. THURMOND. Mr. President, much talk is being centered both inside and outside the Reagan administration about various foreign policy strategies and concerns.

A recent speech delivered by Human Events Capitol Hill Editor Allan H. Ryskind at Hillsdale College for the Center for Constructive Alternatives Seminar on "Washington's New Leadership" reflects much of my thinking. The speech text is particularly effective in underscoring that former President Carter's two Secretaries of State were tragically nearsighted when it came to Soviet moves and countermoves.

Mr. President, in order to share Mr. Ryskind's excellent insights with my colleagues, I ask that this viewpoint appear in the RECORD at the conclusion of my remarks.

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

U.S. FOREIGN POLICY NEEDS A FORWARD STRATEGY

(By Allan H. Ryskind)

The general theme at this seminar, as I understand it, is: Can the new Administration make a difference, can it change things for the better? My response, as a fairly longtime observer of the Washington scene, is that it would be difficult for things to get worse. Double-digit inflation, high unemployment, high interest rates, low productivity and a runaway budget suggest that the Reagan Administration, assuming it is fully determined to slash tax rates and apply a tourniquet to our hemorrhaging budget, will at least diminish the intensity of the pain.

But what about the area of foreign policy, the main topic of my speech tonight? Here, again, I believe, it would be difficult for the Reagan Administration to make things worse. And to understand why this is so, some history of the Carter years is in order. Under the late—and some would say unlamented, I would say unlamented—Administration, the United States and that portion of the world that is still eager to resist communism suffered enormous setbacks.

The Communists of North Vietnam, who stormed over the South in the spring of 1975, managed to nearly consolidate their hold on the entire Indochina peninsula, having installed their puppet in Cambodia in January 1979. A few weeks after the fall of Phnom Penh, several thousand miles away in the pivotal Persian Gulf area, the shah felt impelled to flee his country, leaving Iran to the tender mercies of a fanatical anti-American Shiite Moslem, the Ayatollah Khomeini.

How critical was the loss of the shah? Former Secretary of State Henry Kissinger, with whom many of us on the right don't always agree, has made an eloquent response. "In my own experience,' he said, "the shah never failed to stand by us. In the 1973 Mideast war, Iran was the sole American ally adjoining the Soviet Union which did not permit the overflight of Soviet transport planes into the Middle East. In 1973–74, Iran was the only Middle East oil-producing country that did not join the oil embargo against us. . . ."

With the demise of the shah's regime, an unfriendly power now borders the Strait of Hormuz, through which passes 70 per cent of the imported oil consumed by Western Europe and 90 per cent of that used by Japan. The new Iran, unlike the old, is a deadly enemy of both Israel and Egypt, a supporter of such pro-Soviet terrorist regimes as Libya and a foe of the West in general.

The facilities we used in Iran to monitor the Soviet's strategic missile test range are no longer available to us. What may be even more dangerous to the West's survival is that the political earthquake that shattered Iran has already had unpleasant consequences for the major oil-producing nation in the gulf, Saudi Arabia. The loss of Iran, in short, has placed the West in the greatest peril.

I wish this were the only sad news I had to relate. But 1979, unlike the words of a singer identified with the Reagan era, was, alas, a very bad year. More foreign policy catastrophes were to come. In December 1979, the Soviets engaged in a massive invasion of Afghanistan. It was the first time since the conquest of Eastern Europe that Soviet soldiers were dispatched en masse beyond the borders of their post-World War II empire.

The Afghan rebels, we are told, are giving the Soviets a rough time, but, in speaking to knowledgeable Afghans who have left their oppressed nation, one is led to believe that the rebels cannot last forever without far more help than they are presently being given by outside sources.

By moving into Afghanistan, Soviet armies now threaten both Pakistan and Iran, and, indeed, the entire Gulf region. With a Sovietized Ethiopia and Yemen threatening Saudi Arabia from the west and the south and a Sovietized Afghanistan menacing Iran and Pakistan from the east, the oil lifeline of the West is facing a powerful Soviet pincer movement that hardly warrants optimism on our part.

In the Middle East and Asia, then, there were stunning setbacks for the West. But we also suffered a major blow in our own back yard: Central America. The President would not admit it, but the Soviets and the Cubans had managed to acquire a new nation in our hemisphere in July 1979. Once considered a pro-Western ally and the key to control of the region, Nicaragua was overrun by the Sandinistas, with the United States paving the way through an arms embargo on the Somoza government.

The Sandinistas were spawned by the Cubans, trained by them and virtually controlled by them. When Nicaragua fell, they established a Cuban-style political apparatus that was effective right down to the block level; they invited Cubans in as military advisers and teachers; and they were soon signing agreements with Moscow.

While the Sandinista rulers have repeatedly denied exporting revolution, so flagrant has been their involvement in El Salvador that even our extremely liberal ambassador there, Robert White [since fired], was moved to denounce Nicaraguan intervention. Castroism under President Carter had been spreading so swiftly throughout the Central American-Caribbean region that the Communist parties in the area recently remarked that "In Central America, the revolution feels itself stronger than in any other years in history."

Aside from absorbing these staggering losses, the United States, in the eyes of President Carter's own key military appointees, had slipped behind the Soviet Union in our strategic capabilities. Just last year, Gen. Richard Ellis, head of the Strategic Air Command, whose mission is to deter Soviet aggression with our nuclear arsenal, told a House Defense Appropriations subcommittee:

"Our calculations show that there was indeed essential equivalence in 1977 and early 1978. Since then it has eroded to the point where we must say essential equivalence does not exist." The chairman of the Joint Chiefs of Staff, Gen. David Jones, considered by many conservative lawmakers to have been a Carter apologist, told the Senate Armed Services panel on June 16:

"I share Gen. Ellis' concern. I said earlier that I also agree with what Sen. Jackson said, that we have moved from strategic superiority to the edge of strategic inferiority. . . ."

Why have these catastrophic reversals taken place? If you believe, as some have contended, that personnel is policy, then there is no mystery as to why the West has suffered such enormous setbacks. I cannot think of any administration in our history which placed into critical governmental positions so many people who espoused defeatism, pacifism, radicalism or anti-Americanism.

From Sam Brown, who headed Action and controlled the Peace Corps, to Andrew Young, who set our Third World policy at the United Nations, to even Secretary of State Edmund Muskie, the Carter Administration was wallowing in strange characters preaching astonishing doctrine.

There is an old but inelegant saying that "the fish stinks from the head." And President Carter, unfortunately, was largely responsible for the tenor of our foreign policy.

A tip-off as to the disaster that was to follow when he assumed office came when he tried—unsuccessfully, it turns out—to install Theodore Sorensen as chief of the Central Intelligence Agency.

A former speech-writer for President Kennedy, Sorensen had become a partisan of the Democratic left in this country. He was an early booster of George McGovern, a supporter of "massive" defense cuts and an advocate of unilateral disarmament. Equally revealing is that the man Carter picked to head the CIA—the agency upon which the President must depend for making crucial foreign policy and defense decisions—was a conscientious objector. His Nebraska draft records show that he was classified "I-AO, a conscientous objector available for non-combatant military service only" when he initially registered. He also had that classification during the Korean War.

Sorensen has never repudiated his "conscientous objector" beliefs, and, indeed, defended them before his Senate confirmation hearings in 1977. He did insist, however, to many a skeptical solon, that "my preference for personal non-violence" would not inhibit his advice to the President on military policy.

Sorensen withdrew his name from nomination the first day of the hearings because it was obvious he could not be confirmed. But for the President to have purposely chosen a conscientious objector to rule over our major intelligence-gathering agency clearly signalled that this country was about to embrace a very soft foreign policy. Nor was the Sorensen selection particularly out of "synch" with the rest of the Carter appointments.

Sam Brown, Carter's choice to head Action, had led the anti-war movement in the United States. But he was not just anti-war, but pro the enemy, pro the Vietcong and the North Vietnamese battalions. On Sept. 25, 1977, after he was already the chief of Action, the agency which governed the Peace Corps, Brown participated in a "celebration and welcome" to honor the arrival of the Vietnamese Communist delegation to the United Nations and joined in applauding Vietnamese Deputy Foreign Minister Ngo Dien who heatedly condemned the "U.S. imperialists."

Brown told the New York Times: "I believe we ought to aid the Vietnamese in their construction." Thus Brown like so many supporters of Hanoi, felt it was incumbent upon the United States to pay reparations to the North, to enable our enemy to impose the same kind of brutal regime it enjoyed upon the South Vietnamese.

How much a speech-writer can influence a President is debatable, but the fact that President Carter chose Hendrik Hertzberg to script his major addresses because they seemed to think alike is not only interesting but a bit scary as well. Hertzberg emerged as the President's favorite ghost in 1979. Just two years earlier—when he began employment at the White House—he was listed on the masthead of *Win*, a publication of the radical-pacifist War Resisters League.

Not only was Hertzberg on the editorial masthead—until it was revealed in the press—but he was a frequent enough contributor. One of his more startling articles was featured in the Aug. 1, 1974, edition. Titled "It's Time to Start Worrying About the Bomb Again," the article was highly supportive of a proposal by then Sen. Harold Hughes, the Iowa Democrat, who announced that if he were ever elected President, the American people must know that he would never, under any circumstances, use nuclear weapons.

Hertzberg himself suggested that it might be a dandy idea for the U.S. to unilaterally destroy our entire atomic arsenal. Such a plan, he said, "could be undertaken openly, and television crews, foreign diplomats and representatives of international organizations would be invited to observe the dismantling of our warheads. The initial reaction everywhere would be stupefaction, giving way, I imagine, to a dramatic improvement in the world's moral and political climate."

I do agree with Hertzberg on at least one point: The world would, indeed, be "stupefied" if we carried out his program. But how the world would be better off after we had instantly handed the Soviet empire complete military mastery over every country on earth leaves me somewhat mystified.

But Hertzberg had a breathtaking explanation for his ingenious proposal. Neither the Soviets nor the Red Chinese, he blithely contended, would be likely to launch an unprovoked attack after such a magnanimous surrendering of our arms, because it "would be a crime against humanity dwarfing anything in the past, including the mass murders of Hitler and Stalin, and I do not think that either the Russians or the Chinese are prepared to commit a crime of such enormity."

Nothing if not intellectually honest, Hertzberg acknowledged that a "crime of such enormity" might still be committed, "remote as the chances are." But then he said that "it would be undeniably 'better' for the United States alone to be destroyed than for the Soviet Union, Europe and much of the rest of the world to be destroyed as well."

In the May 1, 1976, issue of Win, Hertzberg, as almost all New Left intellectuals, welcomed Hanoi's victory in South Vietnam, even though he granted the new rulers would be repressive. He also said: "Vietnam will be free of foreign interference and domestic gangsterism—most people will be far better off than they were under Saigon. . . .

"The society the Communists will construct in Vietnam will not be a free society as I understand the term," he added, "but the outcome of the struggle, both there and here in the United States, was a victory for something honorable in the human spirit." (Incidentally, when I contacted Hertzberg in April 1979, he informed me, in writing, that, by and large, he still stuck by his conclusions on Vietnam. He did not expound on his nuclear disarmament policy.)

Is it not somewhat remarkable that the man who was scripting the President's speeches believed we should unilaterally destroy our nuclear weapons, even if it meant our own annihilation, and that he embraced the theory that Hanoi's victory over a relatively free South Vietnam was "something honorable in the human spirit"?

But this only scratches the surface of the kind of men who surrounded the President. Whom did the President install as our chief arms negotiator for the SALT II talks? Paul Warnke. And what was Mr. Warnke's claim to fame? He served as the principal adviser to Sen. George McGovern on national security issues during the 1972 campaign.

Analyzing the McGovern position on defense, Dr. William Kintner, a highly respected American defense expert, stressed that the dramatic defense cuts planned by McGovern amounted to "a fiscal formula for unilateral disarmament. This could only satisfy the Soviet Union, upon whose benign sentiments we and our allies would then depend, because the McGovern budget would give them no choice."

Warnke's preference for "unilateral" initiatives was evidenced in the Spring 1975 issue of Foreign Policy, where Warnke proceeded to blame the arms race on the United States.

"As its only living superpower model," stated Warnke in doleful tones, "our words and our actions are admirably calculated to inspire the Soviet Union to spend its substance on military manpower and weaponry. . . ."

"The chances are good . . . that highly advertised restraint on our part will be reciprocated. The Soviet Union, it may be said again, has only one superpower model to follow. To date, the superpower aping has meant the antithesis of restraint."

Unforgivably, in my humble opinion, Warnke blamed us for provoking the Soviet Union for engaging in the most massive military buildup in history, even though the record will show that the U.S. defense budgets experienced dramatic declines during the Nixon and Ford years. Ever since the Cuban missile crisis, furthermore, the United States has deliberately pursued a unilateral disarmament policy designed to permit the Soviets to match our strategic might, to assure them that we have no aggressive intentions.

Warnke, however, is apparently someone who favors a policy fashioned to give the Soviets, not parity, but strategic superiority. At the very least, he is not disturbed by the possibility. Testifying before the Senate on the 1972 SALT I agreement, Warnke said the ceilings on "both land-based and sea-based missiles should not be the cause for any concern on our part. They do give the Soviets an apparently large mathematical edge. . . . We should not be concerned about the existing mathematical edge, nor should we be concerned about any attempts that the Soviet Union might take to add additional, useless numbers to their already far more than adequate supply."

When Warnke was under fire before being confirmed by a rather narrow margin by the Senate, President Carter continued to express "complete confidence" in him. He stated: "His views are well considered by me. . . . I have accepted them. . . . I believe Mr. Warnke's proposals are sound."

Is Warnke's nuclear weapons philosophy so different from Hertzberg's? Is it any wonder that with Warnke as our chief negotiator for SALT II, Let. Gen. Edward Rowny, the Joint Chief's representative at the talks, ended up denouncing the treaty we concluded? Is it any wonder that the Senate refused to ratify it, believing it was not in our own interest to do so?

Andrew Young, of course, also played a strategic role in shaping our foreign policy. You may recall his statements with a few shudders. I know I do. But when he resigned under pressure in the summer of 1979, the Liberal Establishment, while faulting him for misleading the secretary of state, hailed his supposed statesmanship, with the Washington Post insisting that "he made some truly outsized contributions to American diplomacy." Did he really?

Young saw himself as the spokesman for the downtrodden, but his legacy at the U.N. was not as a champion of the oppressed, but as a spear carrier for the oppressor. Contrary to the liberal myth, his voice was not raised on behalf of the moderates, the peacemakers and the poor, but on behalf of leftist, totalitarian regimes and revolutionaries.

His record on their behalf is close to perfect. When the Cubans arrived in Angola, intent on supporting the minority Communist-dominated MPLA and crushing the majority opposition, Young contended that Castro's forces "were essentially opposing racism, and driving the South Africans out." As he was being considered for the U.N. post by the Senate Foreign Relations panel, Young appeared on CBS-TV where he said, ". . . [T]here's a sense in which the Cubans bring a certain stability and order to Angola. . . ."

"I don't believe that Cuba is in Africa because it was ordered there by the Russians," he once said. "I believe that Cuba is in Africa because it really has shared a sense of colonial oppression and domination."

Whether dubbing Iran's Khomeini a "saint" or defending Castro's armed aggres-

sion in Africa or suggesting that the United States is no better than the Soviets, for we, too, supposedly have "hundreds, perhaps thousands, of political prisoners." Young played a disastrous role in shaping our foreign policy. He sent out the dangerous signal around the world that the U.S. is the friend of revolutionary Marxists, not their enemy. And many would contend that this is why the Cubans, the Ethiopians, the South Yemenis, the Patriotic Front, the Vietnamese, the Sandinistas, et al., were having such an easy time in pursuing their imperialistic ventures.

Though Young couched his rhetoric in the most provocative and outrageous terms, the basic thrust of his views were, to a great extent, policy. With Young at the helm, the U.S. did support the MPLA in Angola, did back the Marxist left in both Africa and Latin America, did withdraw our backing of the shah and purposely undermined Somoza.

In his 1970 book, "Between Two Ages," Brzezinski observed: "Latin American nationalism, more and more radical as it widens its popular base, will be directed with increasing animosity against the United States unless the United States rapidly shifts its own posture. Accordingly, it would be wise for the United States to make an explicit move to abandon the Monroe Doctrine and to concede that in the new global age geographic or hemispheric continuity no longer need be politically decisive."

In an article appearing in "Foreign Policy" in the summer of 1976, titled "America in a Hostile World, Brzezinski—who was just about to assume power—suggested that his views had not changed perceptibly over the years. He said that the Third World was inexorably tilting toward the revolutionary left, and that U.S. foreign policy should become "sympathetically sensitive" to the significant shift toward Marxist values.

While it may strike some as offensive, he added, Cuba and China are today "so attractive to so many" because of the egalitarian nature of their societies. The obvious point Brzezinski was making: If you can't beat 'em, join 'em. Hence, it is no wonder that the Carter Administration began its tenure by making overtures to Castro and his supporters in the Third World.

How else to explain the fact that when Jonas Savmble the anti-Communist Angolian guerrilla leader, came to the United States he received an icy reception from the Carter Administration? Despite urgent requests from Lane Kirkland of the AFL–CIO, former Defense Secretary James Schlesinger, former Secretary of State Henry Kissinger and Senators Sam Nunn and Daniel Patrick Moynihan, Brzezinski refused to meet with the charismatic leader who would almost certainly win an election in Angola if the Cubans would get out.

Savimbi now relates that two hostile aides of Richard Moose, the then assistant secretary of state for Africa, did finally meet with him. "They said I was wasting my time," Savimbi has said, "and that the Carter Administration did not want to be bothered by UNITA. They even said mine was a lost cause and that I should give it up. They asked me why I was afraid of communism. My reply was that I was not fighting communism, but rather Soviet-Cuban colonialism, a foreign source of misery for my country.

"One of Moose's fellows said that he had been to Ethiopia and that Marxism had restored peace and tranquility and improved life for everyone there."

The picture would not be complete without at least mentioning the two secretaries of state during the Carter years, Cyrus Vance and Edmund Muskie. Vance was, perhaps, the weakest secretary of state in modern times. Apparently traumatized by his initial support of the no-win war in Vietnam, he became a do-nothing secretary of state, who customarily endorsed Andrew Young's policies and offered no resistance of any note to either Soviet or Cuban adventurism. He quit his post because he couldn't go along philosophically with a decision by the Administration to use very limited force to liberate our hostages.

When the Soviets invaded Afghanistan and President Carter made the decision to impose the grain embargo, shelve SALT II and squeeze the Soviets in other ways as well, Vance refused to be strongly identified with the toughening response from the White House.

I attended the White House press briefing when Brzezinski and other top Administration officials explained the need for these anti-Soviet measures. Vance was conspicuously absent. The next day, when the State Department had a special briefing on the Administration decision, Hodding Carter III, the press spokesman, was the man in charge, with Vance again conspicuously absent. When I asked Carter where Vance was he said he was in the building, but didn't have the time to brief the reporters. Whether out of conviction or otherwise, he had decided not to be closely identified with the Administration's tentative efforts to apply a stronger policy toward Moscow.

His replacement, Edmund Muskie, had been considered a dove when he was in the U.S. Senate, and this belief was underscored by the little-known remarks that he delivered to the Beth Jacob Brotherhood Donor Dinner in Pikesvile, Md., on Jan. 30, 1980, about a month after the Afghanistan invasion.

Amazing as it might seem, Muskie, while claiming he supported President Carter's hardened attitude toward Moscow, issued a virtual brief on behalf of the Soviets. Aside from trying to "stabilize the region" and fearing that the United States might "intervene militarily" in neighboring Iran, the Soviets, said Muskie, "may well have misunderstood recent American actions as aggressive in nature."

We should look, he informed his audience, "for a minute at recent United States policy initiatives from a Soviet perspective." Said Muskie (and I quote him verbatim):

"(1) The SALT II treaty was being exhaustively examined in the United States Senate. Crippling or 'killer' amendments were a virtual certainty on the Senate floor.

"(2) The NATO allies, with the encouragement of the United States, had recently agreed to the basing of so-called theater nuclear weapons designed for use in a limited nuclear war. They are theater weapons to our allies—but strategic weapons to the Soviet Union, whose cities they threaten.

"(3) Our defense budget, like the Soviets', has been increasing steadily since 1975. We are undertaking major improvements in our strategic weapons. Last year, a proposal to increase defense spending by 3 per cent after inflation in 1980 and 5 per cent in 1981 and 1982 was adopted overwhelmingly.

"(4) We have been dramatically improving our relationship with the People's Republic of China. We planned to grant favorable trade concessions to China while continuing to deny them to the Russians.

"(5) The disclosure that a Soviet combat brigade was stations in Cuba brought a reaction from the United States which in the eyes of the world must have appeared massive, from the well-publicized shows of military muscle, to the intense negotiations with our allies in the region."

The Soviets, Muskie continued—and then either he or someone on his staff pencilled in the afterthought, "in their paranoia"—"may well have concluded that detente was dead and that it was we who had killed it. We were at a minimum placing a severe strain on detente." The Soviet "misreading of American intentions concerns me deeply," he added.

With this kind of thinking permeating the Administration from top to bottom, you can see why I believe that it would be difficult for the Reagan Administration to do worse.

Having said all this, having detailed the gory aspects of the Carter foreign policy, and outlined the defeatist and near-pacifist thinking of its philosophers, I am still not certain, despite the wonderfully refreshing statements about the Soviets that are emanating from the President and the secretary of state, that the new Administration will do immeasurably better.

I say this because, during the entire post-World War II era, every administration—whether Republican or Democratic, whether softline or hardline—has lost ground to the Soviet empire and/or communism. Under President Truman, Eastern Europe and China disappeared behind a Communist curtain. Under President Eisenhower, the Soviets—by our refusal to do anything to challenge the Russians when the Hungarian Revolution broke out—consolidated their hold over Eastern Europe. And they breached the Monroe Doctrine when they established a major beachhead in this hemisphere in 1959 with Castro's assumption of power in Cuba.

Under Presidents Kennedy and Johnson, Indochina began slipping into the Soviet sphere of influence and the United States, through the disarmament philosophy of Robert McNamara, saw its strategic nuclear superiority vis-a-vis the Soviets begin to erode rapidly.

Under Presidents Nixon and Ford, Hanoi expanded its grip on Southeast Asia, the Cubans began spreading their soldiers into Africa and we continued to fall behind the Soviets militarily. In addition, detente opened the way for the Soviets to receive a massive infusion of sophisticated technology from the West, much of which they used to build up their nuclear and conventional forces. The Carter years, as I have suggested, greatly accelerated our retreat from the world and the growth of Soviet power.

So what should be done? What is desperately needed, in the eyes of many Kremlinologists, is a forward strategy. For too long we have decided to react to events, never to take the lead. In the opinion of a growing number of students of Soviet power, we must greatly increase the pressure upon the Soviet Union and its satellites. We must not only retain the grain embargo, but we must expand it to include our high-grade technology. The Afghan rebels as the recent slamic conference in Saudi Arabia makes clear, are in deep, deep trouble so it is incumbent upon us to furnish them with as many critical weapons as they can handle.

We must totally reverse our policy toward Angola, giving Jonas Savimbi the kind of backing a friend of the West and an enemy of Soviet-Cuban imperialism deserves.

But I would also contend that we scrap the Brzezinski Doctrine and reestablish the Monroe Doctrine.

* * * * *

As Moscow's cat's-paw, the Cubans have handsomely extended Soviet influence throughout Africa and the Middle East. They have conquered Angola and are conniving against Saudi Arabia from their havens in Ethiopia and Yemen. Through arms and training, they have helped to bring about the Communist conquest of Nicaragua and have frequently appeared on the brink of toppling El Salvador as well. Cubans are literally swarming throughout the Caribbean.

There is no question as to their impact. As Martin J. Scheina, analyst for Cuban affairs, the Defense Intelligence Agency, said in congressional hearings last year: ". . . Cuba's support for radical governments and revolutionary movements increased notably during 1979. . . . Cuba has nurtured the Sandinistas for two decades. As their activities gained impetus in 1978, this lowprofile assistance dramatically changed. It is very doubtful

that the Sandinistas could have achieved victory without Cuban support."

Our new ambassador to the United Nations, Jeane Kirkpatrick, has made some ominous observations about the Cuban threat. "In the past four years," she has written in a recent Commentary article, "the Soviet Union has become a major military power within the Western Hemisphere. In Cuba, the Soviets have full access to the naval facilities at Cienfuegos, nuclear submarines, airstrips that can accommodate Backfire bombers. From these, Soviet naval reconnaissance planes have on several occasions flown missions off the east coast of North America. They also have electronic surveillance facilities that monitor American telephone and cable traffic and a network of intelligence activities under direct Soviet control. And, of course, a Soviet combat brigade.

"During the same four-year period the Soviets have continued to finance, train and staff a Cuban military establishment which has by now become a significant instrument of Soviet expansion in Africa, the Middle East, and South Asia as well as throughout the Caribbean and Central and South America. Today Cuba possesses a small navy; a sizeable number of supersonic aircraft—including IL-14's and MIG 21's and 23's—that can be quickly armed with nuclear weapons; modern transport planes capable of airlifting Cuban troops anywhere in the area; a huge army; and an estimated 144 SAM-2 anti-aircraft missile sites."

What the Reagan Administration should do, in the opinion of various geo-strategists, is amputate this cat's-paw. It would be tantamount to eliminating a bishop or a knight in our global chess game with the Russians. In one fell swoop, much of Africa and most of this hemisphere would be freed from any immediate Communist threat. A defeat of this magnitude could also shatter the illusions of so many that communism, whatever its defects, is somehow inevitable and must be accommodated. I do not say the Soviet empire would crumble because of it, but it might give us all in the West a little breathing room.

Many would argue that this is too drastic an action, that communism will someday collapse of its own dead weight. Perhaps. But I am unaware of a country that has come under full Communist rule in recent history that has managed to wriggle out from under such rule. Thus there are many who would strongly suggest that the Reagan Administration begin to focus its attention on how to render the imperialist Cuban government harmless.

Unless we are prepared to press ahead with such a forward strategy, many would argue, the Reagan Administration may not fare much better than the preceding administrations in stemming the tide of Soviet imperialism.

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, what I am about to propose is in conjunction with certain changes that are necessary in relation to the Teacher Day Resolution. This has been cleared on both sides of the aisle. I say to the distinguished acting minority leader that I believe it has been cleared with both the majority and minority side of the committee, as well.

Mr. BOREN. Mr. President, the majority leader is correct. His request has been cleared with the minority and with our side of the aisle and we have no objection to it.

Mr. BAKER. Mr. President, I thank the acting minority leader.

TEACHER DAY, UNITED STATES OF AMERICA

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on the Judiciary be discharged from further consideration of Senate Joint Resolution 38, to provide for designation of the first Friday of March as "Teacher Day, United States of America," and I ask for its immediate consideration.

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

The joint resolution will be stated by title.

The assistant legislative clerk read as follows:

A joint resolution (S.J. Res. 38) to provide for designation of the first Friday of March as "Teacher Day, United States of America".

The PRESIDING OFFICER. Without objection, the Senate will proceed to its immediate consideration, and, without objection, the joint resolution will be considered to have been read the second time at length.

The Senate proceeded to consider the joint resolution.

UP AMENDMENT NO. 6

Mr. BAKER. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Tennessee (Mr. BAKER) proposes an unprinted amendment numbered 6:

On page 2, line 4, strike "the first Friday of March" and insert in lieu thereof the following: "March 6, 1981"

The amendment (UP No. 6) was agreed to.

The joint resolution, as amended, was agreed to.

UP AMENDMENT NO. 7

Mr. BAKER. Mr. President, I send to the desk an amendment to the preamble of Senate Joint Resolution 38 and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Tennessee (Mr. BAKER) proposes an unprinted amendment numbered 7 to the preamble.

Mr. BAKER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment (UP No. 7) is as follows:

Amend the preamble so as to read:

Whereas teachers, through education of the young, provide both an essential foundation of modern civilization and the means for enhancing the lives of all members of society; and

Whereas the personal inspiration and enrichment which students receive from their teachers extend far beyond the few years spent in the classroom to exert a valuable lifelong influence on the young people of this Nation, and through them, on all of our citizens; and

Whereas teachers richly deserve individual recognition, honor, and encouragement for their dedication and excellence in the pursuit of their profession; and such recognition, honor, and encouragement should be bestowed each year on a nationwide basis; and

Whereas students, parents, school administrators, and all other citizens of the United States should be encouraged to personally communicate by word and deed to their present an former teachers, the special appreciation and recognition that teachers so richly deserve: Now, therefore, be it

The amendment (UP No. 7) was agreed to.

The joint resolution, as amended, together with its preamble, as amended, is as follows:

S.J. RES. 38

Whereas teachers, through education of the young, provide both an essential foundation of modern civilization and a means for enhancing the lives of all members of society; and

Whereas the personal inspiration and enrichment which students receive from their teachers extend far beyond the few years spent in the classroom to exert a valuable lifelong influence on the young people of this Nation, and through them, on all of our citizens; and

Whereas teachers richly deserve individual recognition, honor, and encouragement for their dedication and excellence in the pursuit of their profession; and such recognition, honor, and encouragement should be bestowed each year on a nationwide basis; and

Whereas students, parents, school administrators, and all other citizens of the United States should be encouraged to personally communicate by word and deed to their present and former teachers, the special appreciation and recognition that teachers so richly deserve: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President is hereby authorized and requested to issue a proclamation designating March 6, 1981 as "Teacher Day, United States of America", and inviting the people of the United States to observe the period with appropriate activities.

The title was amended so as to read:

A joint resolution to provide for designation of March 6, 1981 as "Teacher Day, United States of America".

THEY DESERVE TO BE REMEMBERED

Mr. HELMS. Mr. President, a letter I recently received from Mr. Kevin F. Dwyer of Wheaton, Ill., reminds us that courage and patriotism are frequently found in the American character even when, as has often happened in our history, these virtues are expended for the benefit of those in other countries.

Mr. Dwyer writes—

My brother, Stephen Michael Dwyer of Boston, was killed in action on July 16, 1979, while serving with 3 Commando, 1st Bn, Rhodesian Light Infantry. My brother was one of four Americans who were killed while serving with the Rhodesian Army. Stephen had served four years with the United States Marine Corps. He was honorably discharged after serving his Corps and his country both faithfully and well. He was intelligent, brave, and a patriot.

The three other Americans who fought and died in the Rhodesian Army were Sgt. Hugh McCall of New York, N.Y.; Trooper Joseph Byrne of Ridgefield Park, N.J., and Trooper Joseph Battaglia of Florida. All of these men gave their lives to save all Rhodesians, black and white, from the slavery of Marxism.

Mr. President, their sacrifice, like that of thousands of Rhodesians, was undermined by the policies of our own Government and other Western governments who systematically and ruthlessly denied Rhodesia the option of freedom.

These four Americans gave their lives in an honorable cause and they deserve to be remembered. I cite their names today on the Senate floor so that the historical record will be complete.

THE SHAWCROSS SCAM

Mr. HELMS. Mr. President, in his book, "Sideshow: Kissinger, Nixon, and the Destruction of Cambodia," author William Shawcross engaged in highly subjective, if not totally biased, speculation to prove that the policies of the Nixon administration led to great noncombatant losses in Cambodia, and, in fact, to the war in Cambodia and the subsequent genocide.

Now, Mr. President, fairness obliges us to look at some incontroverted facts before Mr. Shawcross's version is accorded any real credibility. For example, is it not accurate to ask whether genocide in Cambodia—now Kampuchea—has been perpetrated by the Communist government of that nation, and that the reality of that horror seems to pose a problem for those who find the lessons of an inhumane gulag under Communist regimes a hard one to believe?

In the current issue of the "American Spectator," researcher Peter W. Rodman analyzes Shawcross' arguments and shows them for what they are.

It is important that all of us study this material. Therefore, I ask unanimous consent that "Sideswipe: Kissinger, Shawcross, and the Responsibility for Cambodia," along with the introduction by the "Spectator" editor R. Emmett Tyrrell, be printed at this point in the RECORD.

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

SIDESWIPE: KISSINGER, SHAWCROSS AND THE RESPONSIBILITY FOR CAMBODIA

(By Peter W. Rodman)

At the end of 1979 The American Spectator awarded its Worst Book of the Year award to William Shawcross for his epic bowl of applesauce, Sideshow: Kissinger, Nixon and the Destruction of Cambodia. We accorded the book high marks for Shawcross's masterful juggling of documents and for his assiduity in propounding themes at once illogical and moronic. Unfortunately, Mr. Shawcross failed to show up at our award ceremony—a practice that has become all too common with our laureates—but he was injudicious enough to challenge me to reveal examples of his legerdemain.

Now I have asked Peter Rodman, formerly of the National Security Council Staff and currently Henry Kissinger's research assistant on the Kissinger memoirs, to illuminate the Shawcross method of cooking up history. It has been a demanding task. Through the Freedom of Information Act, Shawcross gained access to thousands of documents relating to America's foreign policy in Southeast Asia. Rodman is one of the few scholars who actually bothered to check Shawcross's work. What Rodman has discovered is that Shawcross is even slipperier than I reported in our February 1980 issue.

I suppose I could have kept this matter private—a mundane scandal known but to Rodman, Tyrrell, Shawcross, and Shawcross's favorite cleric. A private communiqué to the great artist would have fulfilled my Christian obligations, had the preposterous theme of the Shawcross book not come to be accepted by the Left as one of recent American history's Great Truths, namely: that the United States is responsible for the Cambodian holocaust. Left-wingers are repeating it fervently in the universities and other realms of the intelligentsia. In time it will assume the sacrosanct quality of so many other left-wing lies: the innocence of Alger Hiss, the Great Red Scare of the 1950s, the American responsibility for the origins of the Cold War.

These are some of the lies that the left-wing brethren live by. And of course the brethren are very fine at spreading them. A few weeks ago during Senate hearings on the confirmation of Alexander Haig, some senators intoned the Shawcross thesis as though it had just been passed on to them by Herodotus in a vision.

It is the responsibility of any intelligent journal of opinion to keep the record straight even from the credulity of senators. The Left has been successfully disfiguring history for years. In the following piece, Rodman shows one of the ways the surgery is accomplished. Incidentally, Rodman's scholarship appears all the more exquisite when one considers the lofty laudations Shawcross has received for his "scholarship." This piece might not stop the Left from spreading its mumbo jumbo on Cambodia, but it will make the Left's job more difficult, at least among the literate.

In April 1975, the Communist Khmer Rouge took power in Cambodia, emptied Phnom Penh of its entire population, and embarked on a nationwide campaign of terror and destruction that claimed the lives of somewhere between one million and three million Cambodians—out of a total population of seven million.

Four years later, British journalist William Shawcross produced a book entitled Sideshow: Kissinger, Nixon and the Destruction of Cambodia. As its subtitle suggests it attempts to prove American responsibility for the horrors wrought by the Khmer Rouge. Shawcross argues in essence that American bombing in 1969 "destabilized" the neutral government of Prince Norodom Sihanouk; that the U.S.-South Vietnamese incursion of 1970 triggered the bloody war in Cambodia that engulfed the country; and that America's prolongation of the conflict for five years paved the way for the victory of the Khmer Rouge and accounted for their genocidal brutality after they took power.

The Shawcross book was widely praised for its impressive documentation, even by some who did not entirely swallow its conclusions. The book advertises itself as based on "thousands of pages of classified U.S. Government documents" obtained under the Freedom of Information Act (FOIA). Without the time or inclination to verify his evidence, reviewers seemed mesmerized by invocation of the Freedom of Information Act, as if it were a voodoo incantation that paralyzed all critical faculties. I have had the opportunity to examine a duplicate set of the government files that Shawcross obtained under the FOIA. It was an experience full of surprises. Close scrutiny of the materials shows that the evidentiary basis of the book is so seriously flawed as to discredit his whole enterprise. He had no White House documents, since they are exempt from the FOIA, yet he presumes to pass judgment above all on White House decisions. His vaunted research turns out to be slipshod, distorted by bias, and in some cases bordering on the fraudulent. It is a compendium of errors, sleight of hand, and egregious selectivity; he has suppressed entirely a mountain of evidence in his possession that contradicted his principal points.

The chronicle of Shawcross's errors is in itself a brief history of Cambodia's tragedy

Beginning in about 1965, North Vietnam established a string of military bases on the territory of neutral Cambodia, along the border, just opposite South Vietnam. From these sanctuaries North Vietnamese forces launched forays into South Vietnam, attacking South Vietnamese and American troops and escaping back across the border into Cambodia where self-imposed restraints prevented our pursuit or retaliation.

The Nixon administration in early 1969 lifted some of these restraints. At a time when major American troop withdrawals were being planned, the North Vietnamese shelled a number of cities in South Vietnam, in flagrant breach of the pledge that had been the quid pro quo for President Johnson's halt to the bombing of North Vietnam. No one in the Nixon administration was eager to resume the bombing of the North; a less explosive form of retaliation seemed warranted. President Nixon undertook the bombing of the Cambodian sanctuaries in the knowledge that 1) Prince Norodom Sihanouk, Cambodia's neutralist leader, did not object to American military action against the North Vietnamese bases, and that 2) the risk of harm to Cambodian civilians was minimal.

Shawcross struggles without success to prove that both these propositions were false.

CHESTER BOWLES: THE MISSING QUOTATION

Sihanouk was powerless to prevent North Vietnam's expropriation of Cambodian territory for prosecution of the Vietnam war. The Prince went considerably beyond acquiescence, however; he allowed the Communists to ship war materiel to the port of Sihanoukville and then to transport it by a leisurely truck route to the sanctuaries along the border. Even Shawcross describes this (p. 64), and anyone wanting an authoritative account of the active help Sihanouk gave to the North Vietnamese will find it in Sihanouk's recent memoirs. This would seem to say something about how "neutral" Cambodia was under Sihanouk.

In fairness to the agile Prince, however, in the late 1960s he began to feel put-upon by the heavy-handed North Vietnamese and tried to square accounts by telling American officials that he would not object at all if the United States attacked the Vietnamese Communist bases and drove them out of Cambodia. He said this to various visitors, one of the most important being Ambassador Chester Bowles, who on January 10, 1968, met with the Prince in Phnom Penh on a mission for President Johnson.

Sihanouk's conversation with Bowles has become controversial. The Nixon administration cited it when the Cambodian bombing became a cause celebre in 1973. Shawcross devotes a great deal of effort to the Bowles mission, attempting to discredit, evade, deny, or dismiss the administration's contention. The reason for this exertion is obvious: If Sihanouk invited us to attack the North Vietnamese bases, then we were defending Cambodia's neutrality, not violating it, and the bombing of Cambodia appears in an entirely different light.

Shawcross pronounces the claim "questionable" (p. 28). For three and a half lengthy pages he walks us through the Bowles mission (pp. 68–71), citing Bowles's State Department briefing papers, Bowles's escort officer's summary report, and Bowles's cables to Washington. Never does Shawcross quote a word of what Sihanouk said to Bowles on the subject. He apologizes that his documentation is incomplete and therefore not "conclusive evidence"; "whether Sihanouk actually told Bowles that the United States was free to bomb the sanctuaries cannot be definitely determined from the sanitized State Department papers," he writes. Nevertheless, Shawcross is confident enough to inform his readers that his documents "suggest that it is not so."

A look at the documents is illuminating. While Shawcross may not have had a verbatim transcript, he had an explicit summary of what Sihanouk said. The State Department escort officer's report of the Bowles mission, which Shawcross received under the Freedom of Information Act, contained evidence that could not be more conclusive, which Shawcross chose to conceal from his readers:

Then, in one of his amazing reversals [the report read], the Prince said he would not object if the U.S. engaged in "hot pursuit" in unpopulated areas. He could not say this publicly or officially, but if the U.S. followed this course it would help him solve his own problem. Of course, if the U.S. engaged VC/NVA [Vietcong/North Vietnamese Army] forces on Cambodian territory, both sides would be guilty of violating Cambodian soil, but the VC/NVA would be "more guilty" (sic). If we pursued VC forces into remote areas where the population would be unaffected he would "shut his eyes."

The same thing could have been found in Chester Bowles' memoir Promises to Keep, published in 1971:

"Later, in a quiet private visit, Sihanouk volunteered that he would not object to the United States engaging in 'hot pursuit' in unpopulated areas of Cambodia. He pointed out that while he could not say this publicly or officially, if the United States followed this course, it might even help him to solve his problem."

Bowles was skeptical, but Sihanouk's position never deviated from this. After the B-52 bombing started in 1969 and was reported in the American press, Sihanouk responded in similar terms publicly: He complained if Cambodians were hurt but did not object if we attacked the Vietnamese Communists who were illegally occupying a portion of his country. Sihanouk drew closer to the United States. In July 1969, four months after the bombing started, he invited President Nixon to pay a visit to Phnom Penh and promised a warm reception. He began to write and speak more openly against the North Vietnamese. This avid observer and barometer of the balance of power now saw the United States as a potent counterweight to the hated North Vietnamese, restoring his country's freedom of action and enhancing—yes, enhancing—its neutrality.

Shawcross' treatment of the Bowles mission is a sham. Kissinger has published part of Sihanouk's verbatim remarks in his memoirs but it adds little to what was already available. In a lecture at Harvard in March 1980, Sihanouk admitted what he said to Bowles. Stephen Young, Assistant Dean of Harvard Law School, heard Sihanouk's lecture and called it "an incredibly significant admission." For "that means that, in the debate that has riven our country for 10 years, Henry Kissinger is right and William Shawcross is all wrong."

WHAT THE CHIEFS' MEMORANDUM REALLY SAID

Nixon ordered the B-52 bombing of certain North Vietnamese sanctuaries on the Pentagon's assurance, secondly, that attacking them posed minimal danger of Cambodian civilian casualties. The Joint Chiefs of Staff examined 15 North Vietnamese base areas in Cambodia with the explicit mandate, inter alia, to consider the risk of harm to civilians. General Earle Wheeler forwarded the results to Secretary of Defense Melvin Laird on April 9, 1969, in a lengthy memorandum with numerous appendices and maps. Only the base areas in which the danger to civilians was found to be "minimal" were recommended for targeting.

This exercise might suggest to an impartial observer that the United States took extraordinary pains to avoid civilian casualties. But not to Shawcross. He quotes from the memorandum in the most selective fashion to imply a callous disregard for human life—exactly the opposite of the memorandum's obvious meaning. Shawcross accomplishes this by quoting at length only from the caveats that the memorandum's draftsmen included for the sake of honesty: that all estimates of likely civilian casualties were "tenuous at best," that "some Cambodian casualties" would likely be sustained in certain kinds of military operations, and that the "surprise effect" of attacks could tend to increase the danger, "as could the probable lack of protective shelters around Cambodian homes to the extent that exists in South Vietnam."

On reading the Chiefs' memorandum carefully one finds, first of all, that these acknowledged risks to civilians applied to combined air and ground operations against the sanctuaries, not to aerial attacks on specific military targets ordered by Nixon. What is more, Shawcross acknowledges only in passing what the memorandum emphasized over and over again: that civilian casualties would be "minimal," for the simple and obvious reason that the North Vietnamese did not allow any Cambodians anywhere near their military dispositions. The point was made repeatedly, in passages that Shawcross found inconvenient to call to the reader's attention. For example:

a. There is very little mixing of the VC/NVA Forces with the Cambodian populace. Conversely, Cambodians rarely go into areas under de facto control of the VC/NVA.

b. Cambodian villages and populated areas are readily identifiable and can be essentially avoided in conducting preplanned operations into the base areas.

c. Very few permanent structures exist in the base areas outside the Cambodian villages.

Virtually all those that do exist are enemy-occupied. (JCSM-207-69, 9 April 1969, Appendix E, p. 27)

[T]he enemy's military forces in Cambodia habitually occupy areas close to the SVN [South Vietnam] border and away from significant Cambodian presence.

Extreme care would be taken to attack only known enemy bases in Cambodia, thus minimizing the risk of engagement with Cambodian forces or of causing Cambodian casualties.

The canard that we callously assumed the risk of massive harm to civilians should finally be laid to rest by Prince Sihanouk's recent memoirs. Before the March 1970 coup that overthrew him, Sihanouk writes, the North Vietnamese sanctuaries were "limited to a few outlying and uninhabited sectors along the Cambodia-Vietnam borderline."

There is more to this April 9, 1969 memorandum. It sets out in detail the strategic importance of the enemy sanctuaries and the danger that they presented. Indeed, it is one of the most impressive statements ever made of the case for attacking them. For example: An appropriate time to undertake operations to destroy an enemy force is subsequent to a contact in which the enemy has been defeated and is withdrawing. It is at this point that the enemy force is most disorganized and vulnerable. The option of conducting pursuit operations has essentially been withheld from COMUSMACV [the U.S. Command] because the best place to conduct such operations is against his rallying and collection points in Cambodia.

Authority to conduct pursuit operations to limited depths in Cambodia could result in destruction of enemy units involved as effective fighting forces, and could require the enemy not only to provide filler replacements to regenerate such units but also to provide new cadre leadership. Pursuit operations also could result in capture or destruction of munitions and supplies in the sanctuaries to which enemy forces are withdrawing. Possibly most important of all, however, is the fact that once US/RVNAF [U.S./South Vietnamese] pursuit operations have been undertaken, the enemy would be forced to adjust to the possibility of future pursuit operations and would not be able to operate in border areas with confidence that sanctuary was available nearby. Reestablishment of bases deeper in Cambodia would be very difficult for the enemy, due to increased visibility and the likelihood of confrontation with the Cambodian populace and forces, the International Control Commission, and the foreign press. . . . It is estimated that, as the enemy reaches his full deployment for the current offensive, and his operations begin to run their course, an opportunity will be presented in the III Corps area to strike a strategic blow of major proportions. If successfully exploited, this blow could change the whole balance of forces in Vietnam, severely curtail enemy capability in the vital III Corps area, and shorten the war. (Appendix C, pp. 23-24)

Shawcross preferred not to call this strategic analysis to his readers' attention.

BASE AREA 704: THE WRONG BOX

From the Joint Chiefs' memorandum of April 9, 1969, the White House selected as targets only six base areas minimally populated by civilians. The target areas were given the codenames Breakfast, Lunch, Dinner, Supper, Snack, and Dessert; the overall program was given the name Menu.

With only six base areas, one might have thought that Shawcross would get it right. But he did not. To his embarrassment, a glaring error was discovered during the taping of David Frost's interview with Henry Kissinger in October 1979. Frost hurled at Kissinger the accusation that the White House ordered hundreds of B-52 attacks against a North Vietnamese base area in Cambodia that the Joint Chiefs of Staff had specifically recommended against attacking because it was heavily populated by Cambodians. Frost based the accusation on the following passage in Sideshow:

"Three of the fifteen sanctuaries—base areas 704, 354 and 707, which had "sizeable concentrations of Cambodian civilian or military population" in or around them—were not recommended for attack at all . . . The Chiefs' warning seems to have made no difference. Base Area 704 appeared on the White House's Menu as Supper. In the course of events, 247 B-52 missions were flown against it."

The only problem with this is that Base Area 704, because of its sizeable number of civilian inhabitants, was never a target of the B-52 bombing. The target area codenamed Supper, against which 247 B-52 missions were flown, was Base Area 740 in eastern Cambodia—minimally populated by civilians and about 200 miles away from Base Area 704 which is in southern Cambodia along the Mekong River. Shawcross's assertion that Base Area 704 was attacked by B-52s is totally wrong. The map on page 27 of his book labeling Base Area 704 as target area Supper is also wrong.

Shawcross has admitted the error. The map and the relevant pages in his book were redone in subsequent editions. David Frost, informed of the error by Kissinger, was sufficiently embarrassed to request that the taped segment be deleted from the NBC program broadcast on October 11, 1979. It was deleted. But Shawcross was unapologetic. In a letter to Nigel Ryan of NBC News on October 10, 1979, Shawcross acknowledged that his book was wrong—and then offered an explanation as false as the original error. Shawcross excused his mistake on the ground that he had relied on a Defense Department White Paper submitted to the Senate Armed Services Committee in September 1973. This Defense Department statement indeed listed Base Area 704 as one of the six base areas targeted in the Menu program, apparently by a typographical error. What Shawcross failed to mention to NBC News is that he had two documents in his possession making clear that Base Area 740, not 704, was one

of the six targets of the B-52 bombing program. A memorandum for Secretary Laird from General Wheeler dated November 20, 1969, recommended "additional" B-52 strikes against Base Area 740 in the Menu series. A similar memorandum of November 25, 1969 again listed Base Area 740 as a Menu target. The first memorandum was published in the Senate Armed Service Committee hearings of 1973 (pp. 151–153), to which Sideshow refers frequently; the second memorandum was released to Shawcross in 1977 under the Freedom of Information Act.

A meticulous scholar would have noticed the discrepancy between the 1973 White Paper with the typographical error and the contemporaneous 1969 documents listing Base Area 740 as a MENU target. Had Shawcross noticed the discrepancy he might have guessed that the contemporaneous documents were more authoritative than the after-the-fact summary of 1973. Or he could have checked with the Defense Department, as he did in October 1979, six months after the publication of his book and only after Kissinger pointed out the error. Shawcross did neither. The erroneous figure "proving" American barbarity was too tempting to admit of noticing discrepancies.

It is interesting to read what else the 1969 documents contain. According to the JCS memorandum of November 25, 1969, Base Area 740 contained enemy troop concentrations; anti-aircraft, field artillery, rocket, and mortar positions; eleven North Vietnamese base camps and bivouc areas; two storage areas; road and trail networks including six bridges; as well as numerous bunkers, trenches, and defensive positions—none closer than one and one-half kilometers to any civilian habitation. None of this is mentioned in Sideshow.

"DESTABILIZING" SIHANOUK: THE ELUSIVE EVIDENCE

Sihanouk was deposed as Cambodian Chief of State on March 18, 1970, by his own government and National Assembly. This set off a chain of events that ultimately engulfed Cambodia in ten years of bloody conflict.

It is an article of faith in anti-American Demonology that the United States had a hand in the coup. (In fact, the United States was taken by surprise). Shawcross naturally pursues this line of inquiry, only to admit in the end that he can find "no direct link" between the U.S. government and the coup plotters ("Sideshow," p. 112). He would earn credit for his honesty were it not for two paragraphs of thick insinuation that the United States had plenty of motive and its denials must always be suspect, as if only bad luck can account for his failure to unearth the "direct link."

Shawcross then resorts to a more complicated line of argument to establish American responsibility. Most observers ascribe the coup to Cambodian popular resentment at the continuing North Vietnamese occupation of Cambodian territory tolerated by Sihanouk. Shawcross's thesis is that American B-52 bombings of remote sanctuary areas in 1969–1970 forced the North Vietnamese and Viet Cong troops to push their supply bases "deeper into the country" and "spread the fighting out from the border areas," thereby disrupting Cambodian politics and "destabilizing" Sihanouk's rule.

It is difficult for anyone at this point to reconstruct North Vietnamese movements under the American bombings. Undoubtedly they moved to evade the precisely targeted attacks. The crucial questions are where, and to what extent, and with what traceable consequences. Shawcross's documentary evidence is so weak and so tendentiously handled that it casts serious doubt on whether his thesis holds any water at all.

The first document cited by Shawcross is General Wheeler's memorandum of November 20, 1969, to Secretary Laird, which we saw earlier. Shawcross cites it as evidence for the following: ". . . in Cambodia, as the Chiefs reported, it [the bombing] forced them to "disperse over a greater area than before." The raids spread the fighting out from the border areas. . . ."

General Wheeler's memorandum, however, turns out not to refer to "spreading the fighting" at all. It refers rather to the enemy's dispersal of supplies "over a greater area than before." And far from endorsing Shawcross's claim that they moved "deeper into Cambodia" into conflicts with Cambodian authorities, the passage describes the North Vietnamese as dispersing supplies, and secondarily personnel, into more isolated areas on the immediate periphery of the main base areas, or in between the various base areas, which were strung out along the Vietnamese border. The passage cited by Shawcross actually reads:

"Supplies have been dispersed over a greater area than before; and supplies have been moved into densely covered, unstruck areas. This tends to be confirmed by the increased activity noted since mid-October approximately mid-way between Base Areas 350 and 351. . . . However, even with his increased dispersal of personnel and supplies, the enemy continues to use portions of his old areas."

Thus the source cited by Shawcross is not only irrelevant to his main point but in direct contradiction to it. His use of the document is either deceptive or notably inept.

But there is more. Shawcross then invents a phony quotation from General Creighton Abrams:

To escape the bombardment [Shawcross writes], the Vietnamese Communists had begun to move deeper into Cambodia—"thus," as Abrams later acknowledged to the Senate, "bringing them into increasing conflict with the Cambodian authorities." . . . The effect was inevitable. . . . Sihanouk's balance of right against left became more precarious. The bombing was destabilizing him."

It turns out that the quoted words attributed to General Abrams in testimony to the Senate Armed Services Committee were spoken in reality by Senator Stuart Symington. In a book so fawned over for its scholarship, this is remarkable sleight of hand. Senator Symington put forward the proposition that U.S. bombings and ground probes from South Vietnam must have induced the North Vietnamese "to expand their areas of control or operations, thus bringing them into increasing conflict with the Cambodian authorities." Abrams indeed "acknowledged" this in the vaguest terms ("Yes, I think that is a fair statement"). Unfortunately we do not have General Abrams's own analysis because Senator Symington moved to a different subject. Nor is it likely that the Army Chief of Staff would tell a powerful senator on the Armed Services Committee that he was full of baloney. And neither General Abrams nor Senator Symington even touched upon the two central steps in Shawcross's argument: that the bombing drove the Vietnamese and the war "deeper into Cambodia" and was responsible for undermining Sihanouk's government. The Abrams/Symington exchange, even if quoted honestly, does not establish the crucial points.

The claim of North Vietnamese "spreading in Cambodia" is repeated in another passage shortly thereafter. This time Shawcross invokes an article published in Sihanouk's monthly journal Le Sangkum in October 1969 written by Sihanouk's Prime Minister and Defense Minister, Marshall Lon nol:

". . . their spread [Shawcross writes] was due [in Lon Nol's words] to flooding and to "the operational pressure exerted by their adversary," that is, to clearing operations by American and South Vietnamese troops."

Lon Nol was writing of incidents of conflict between the North Vietnamese and Cambodian troops, thus confirming what General Abrams "acknowledged" to Senator Symington. But rather remarkable in this article, seven months after the beginning of the MENU bombing, is the absence of any reference to North Vietnamese "spreading" and, indeed, the complete absence of any mention of the U.S. bombing. Lon Nol is describing a totally different cause and a totally different effect. He writes of the increase in numbers (accroissement) of Vietnamese Communist forces in their base areas—not the spreading out of these bases. And he blames not the enemy's flight from American bombing in Cambodia but the enemy's withdrawal (repli) from South Vietnam, made necessary (as Shawcross notes) by American and South Vietnamese clearing operations in South Vietnam. Seven months after the bombing began, if Shawcross is to be believed, the Cambodian government should have complained of the American bombing as the cause of disruption and "destabilization" that Shawcross is so eager to prove. Yet Sihanouk and Lon Nol saw the menace elsewhere; they placed the condemnation precisely where it belonged. The article was entitled: "The Implantations of Viet Cong and North Vietnamese Along Our Frontier."

Shawcross has been backtracking lately, writing in a recent Harper's that the movement of North Vietnamese "deeper into the country" may not have been very extensive but that "a few miles deeper" was enough to disrupt Cambodia's political equilibrium. Considering how much of the weight of Shawcross's entire argument rests on this complicated syllogism, it is striking how weak is the evidentiary basis for it. (Even the map on page 27 of Sideshow showing the Communist base areas in the 1969–70 period offers no indication of any change in their location or extent over those two years.) Prince Sihanouk is rather more honest, telling the Cambodia Affairs Institute in Washington ten years after his overthrow: "If I lost my Fauteuil presidentiel and my Chamcar Mon Palace in Phnom Penh to Marshal Lon Nol who occupied them for five years, it was because I tremendously helped the Vietcong and the North Vietnamese."

NORTH VIETNAMESE ASSAULT ON CAMBODIA: THE MISSING MONTH OF APRIL

Like Sherlock Holmes's dog that didn't bark, the most striking distortion in Sideshow is an epic event in Cambodian history that is simply omitted from the book.

The new Cambodian government, even before it stripped Sihanouk of his powers, formally asked the North Vietnamese and Viet Cong in mid-March 1979 to vacate their Cambodian sanctuaries. The North Vietnamese responded with the humanitarianism for which they are renowned: They invaded the rest of Cambodia. Sweeping out of their bases along the border, they attacked and overran Cambodian military outposts, Cambodian towns, Cambodian roads and Cambodian river communications all over the eastern half of the country, linking their scattered sanctuaries into one massive continuous base area aimed at South Vietnam and advancing westward on Phnom Penh, surrounding and menacing the capital with the evident intention of intimidating the new government into passivity, surrender, or collapse.

It was this wholesale North Vietnamese assault on eastern Cambodia, beginning in late March 1979, that plunged Cambodia into the Indochina war for the first time. To be sure, the remote sanctuaries along the border had been the subject of North Vietnamese occupation and American counter-attacks; there had been occasional local incidents between North Vietnamese and Cambodian authorities. But Cambodia had never been at war; the Cambodian armed forces had

never before been belligerents in full-scale hostilities. The North Vietnamese changed all that. It was after a month of these assaults that the United States and South Vietnam launched the so-called Cambodian incursion on April 30 to block the North Vietnamese and to protect American and South Vietnamese lives against the vast new North Vietnamese military base ballooning over all of eastern Cambodia.

The reader turns eagerly to Sideshow to see what this brilliantly comprehensive investigative reporter has to say on the subject of this North Vietnamese invasion. Nothing. Absolutely nothing. There is but one disingenuous descriptive sentence, ascribing only defensive motives to the North Vietnamese:

[T]he North Vietnamese moved westward into Cambodia with the apparent intention of securing their lines of communication.

There are one or two oblique references elsewhere in Sideshow that would indeed require Sherlock Holmes to piece them together and deduce that something was going on. It is not that Shawcross lacked information. Under the Freedom of Information Act, he had, for example, an important cable of April 21, 1970, in which Acting Chairman of the Joint Chiefs General William Westmoreland informed General Abrams in Saigon of the fact that Phnom Penh was surrounded and threatened:

"As you are certainly aware, there is highest level concern here with respect to the situation in Cambodia. This concern has been heightened by the following:

"a. It appears that the success of NVA and VC troops to date have encouraged them to expand what may have been limited objectives initially to a current drive to isolate Phnom Penh.

"b. Most lines of communication leading into Phnom Penh from the north, east, and south have been interdicted by enemy forces and the security of Phnom Penh and the Cambodian Government appears to be seriously threatened."

The North Vietnamese were systematically interdicting all the major roads and waterways that led into Phnom Penh, cutting off the highways particularly to the north, east, and south of the city and blocking traffic on the Mekong River that was the city's lifeline. This North Vietnamese assault would seem to have little to do with "securing their lines of communication," as Sideshow fatuously claims, but a great deal to do with strangling the lines of communication of the Cambodian capital.

None of this is to be found in Sideshow. Shawcross prefers to regard the U.S.-South Vietnamese incursion as gratuitous and unprovoked, explained by the psychic aberrations of the Nixon administration: "The White House's truculence," Nixon's eagerness for "restoring his slighted authority" after domestic setbacks, "negligent and emotional decision making," and other ad hominem imputations of pathological aggression (pp. 130ff). The whole month of April is practically missing from the book—except for minor American actions after mid-April, without reference to the North Vietnamese attacks to which they were a response.

When Kissinger described these North Vietnamese attacks in his book and the David Frost interview, Shawcross took evasive action. His first response was to claim that Kissinger's account of the North Vietnamese assault was an afterthought: "[A]t the time of the [U.S.-South Vietnamese] invasion, neither Nixon nor Kissinger mentioned these moves or used them to justify American actions," Newsweek reported him as claiming. Yet no one could possibly read the Nixon administration's public statements of the time—April 30, June 3, June 30, 1970; February 25, 1971—and not find that the North Vietnamese invasion of eastern Cambodia was the reason for the allied military operations of April 30, 1970. Shawcross later retreated to the narrower assertion that "many" of the individual clashes listed in Kissinger's book "have never been mentioned before, neither in Nixon's announcement of the invasion, nor anywhere else." This is ridiculous. The New York Times reported the rapid advance of the North Vietnamese invasion of Cambodia throughout the period and published a map on April 18, 1970, showing them already in control of a third of the country. If Kissinger's is indeed the most detailed and comprehensive description of the events of 1970—which it is—how this is a criticism of the Kissinger book is not obvious.

Shawcross's other tack has been to claim that Hanoi's intention in devouring eastern Cambodia in March–April 1970 "has never been proven" and has always been in dispute. The assertions that Hanoi really sought to topple the Cambodian regime, Shawcross now says, "have no basis in reality." This is first of all false and second of all a curious line of argument. Presumably it is possible to invade a country, occupy a third of it, lay siege to its capital, and yet claim sufficient ambiguity about one's motives to render any counter-measures not only unwarranted but immoral. The only account in Sideshow, remember, is that the North Vietnamese moved westward to "secur[e] their lines of communication."

What is the evidence? Shawcross certainly had enough documentation to show that the American government at the highest levels had good reason to believe the worst about North Vietnamese intentions. Witness Westmoreland's message of April 21, 1970, that Phnom Penh was surrounded, quoted above, not to mention all of Sihanouk's public statements including his March 23, 1970, five-point declaration calling for the overthrow of the Lon Nol government, and the declarations of solidarity from the North Vietnamese, Viet Cong, and Pathet Lao. On the ground, the North Vietnamese efforts to establish (and dominate) the insurgency aroused the resentment of, among others, the Khmer Rouge (the Cambodian Communists, who came to power in their own right five years later). The "Black Book" issued by the Khmer Rouge (Pol Pot) regime in September 1978 recounts:

"After the coup d'etat, of March 18th 1970, the [North] Vietnamese organized their nationals living in Kampuchea, they armed them and used them as particularly ferocious instruments of oppression against the people of Kampuchea. . . . [The North Vietnamese] secretly organized a shadow national administration in Kampuchea, particularly in the north-east zone. . . . [They] organized a secret shadow army in Kampuchea. . . ."

This was published seven months before Sideshow appeared but Shawcross does not refer to it.

Among North Vietnamese documents captured by the allies in the post-April 30 sweep through the sanctuaries were guidebooks for the organizing (by the North Vietnamese) of the Sihanouk-proclaimed "National United Front of Cambodia" (FUNK) at the hamlet and village level to take power after the overthrow of the Lon Nol government; directives pledging support by North Vietnamese cadre and armed forces for the FUNK; soldiers' notebooks detailing North Vietnamese activity in forming and training guerrilla units; military staff notebooks on the formation of Cambodian units led by North Vietnamese cadre and of signal battalions, and so on. This is public knowledge.

Even Sideshow contains a damaging admission by Shawcross that "a government dominated by Hanoi" was the probable outcome if the United States did nothing. Nor have any of Shawcross's emotional rebuttals to the Kissinger book even addressed one of its most important revelations: that in secret talks with North Vietnamese negotiator Le Duc Tho on April 4, 1970, Kissinger proposed joint diplomatic steps to guarantee the neutralization of Cambodia. Le Duc Tho contemptuously dismissed the offer and insisted on the overthrow of the new Cambodian government.

It was the North Vietnamese assault of March-April 1970 that plunged Cambodia into war, whatever Sideshow's evasions. In 1979, four years after the Khmer Rouge victory, the North Vietnamese invaded Cambodia again, demonstrating that the heirs of Ho Chi Minh never had the slightest intention of tolerating a truly independent Cambodia, even an independent Communist Cambodia.

THE STRANGULATION OF THE CAMBODIAN ARMY

The Cambodian Army resisted the assault of the North Vietnamese and Khmer Rouge for five years, succumbing finally in April 1975. Their struggle was prey to a host of difficulties: poor organization and logistics; lack of training and the technical know-how to maintain and use equipment; petty corruption; and the progressive, Congressionally mandated withdrawal of American military support—from the 1970 ban on U.S. advisers, to the 1973 halt of U.S. air operations, to the 1975 strangulation of military supplies. Pentagon accounts document this well, and Shawcross under the FOIA had access to two of the best: the end-of-tour reports of two American officers who headed the Military Equipment Delivery Team in Cambodia (MEDTC), Major General John Cleland and his successor, Brigadier General William W. Palmer.

These accounts are quite moving, but Shawcross suppresses their principal points and turns the documents totally on their head. By quoting selectively he develops a tendentious thesis of his own to explain Cambodia's failure. He dismisses the generals' own analysis (without informing his readers of its contents) in a crude ad hominem attack:

"These reports must be read with caution since each man was anxious to promote his own career in the Army despite the Cambodian debacle. Each, therefore, was concerned to attach all blame to the Cambodians and refused to analyze carefully the effect of his own work in Phnom Penh."

Shawcross second-guesses the American strategy and blames Generals Cleland and Palmer for the disaster that befell the Khmer National Armed Forces (FANK):

"Cleland explained the rationale—and, unconsciously, its serious implications—in his end-of-tour report: 'The FANK depend on firepower to win. Seldom has FANK outmaneuvered the enemy—he has outgunned him.' But his own actions made this inevitable; instead of improving the intrinsic fighting quality of Lon Nol's troops, Cleland created a fatal new dependency in them. By mid-1974 fully 87 percent of all American military aid was being spent on ammunition. If the Congress began to cut back aid or if the Khmer Rouge closed all lines of communication, then the government's troops would be deprived of "the quickfix" (to use another Cleland expression) which the Americans had thrust upon them. Both these things did happen and each contributed toward making the fall of the regime inevitable."

Shawcross's military critique is utterly disingenuous. Generals Palmer and Cleland stress an obvious and totally different point: that Congressional restrictions made any other strategy impossible. The ban on U.S. advisers meant that there was no possibility of "improving the intrinsic fighting quality of Lon Nol's troops," as Shawcross professes to recommend; escalating legislative prohi-

bitions deprived the Cambodians of what assets they had. Shawcross is not really recommending an alternative approach to assistance; his argument is that no assistance should have been given the Cambodians in the first place. He faults the Congress, indeed, but only for the degree to which it acceded to administration requests at all.

General Palmer's end-of-tour report, for example, makes poignantly clear how even the minimum objective of achieving a military stalemate (for purposes of negotiation) was rendered impossible because the Cambodian Army's few advantages over the enemy were eroded by the progressive reduction of American aid. It is a powerful account that Shawcross understandably did not want his readers to see:

"(1) *Congressional restrictions*

"In January 1971, the Cooper-Church Amendment specifically prohibited "advisors" in Cambodia. The Symington-Case Amendment of February 1972 prescribed that the total number of U.S. personnel in Cambodia should not exceed 200. In view of the U.S. Vietnam experience, the intent of these restrictions is understandable. However, their cumulative effect was to severely limit any MEDTC ability to ensure that millions of dollars in MAP [Military Assistance Program] funds were being well spent. FANK was provided modern equipment but was denied the overall training, technical know-how, and military professionalism desperately needed to modernize it in the areas of tactical leadership, staff planning and coordination, personnel and financial management or logistics operations. Proper management and effective use of the equipment provided was apparently to be learned by a trial and error, do-it-yourself process which time would not permit.

"Lacking any authority to provide in-country advice or U.S. training, any improvement in FANK leadership was predicated on almost non-existent Khmer initiatives since American officers were too restricted to assist.

"(2) *Reliance on firepower*

"FANK was originally conceived as a 'light infantry force' designed to fight 'Khmer Insurgents.' When it became apparent that the 'insurgents' were rapidly evolving into main force units in their own right, the U.S. objective of keeping FANK alive and the GKR [Government of the Khmer Republic] viable was assured through the quick-fix of massive U.S. airpower. With the U.S. bombing halt in August 1973, the Khmer Army artillery and tactical air inventories were augmented because this solution provided less expensive and politically more palatable sources of firepower to offset the leadership and manpower deficiencies in the Khmer Armed Forces. As that firepower was increasingly denied to them because of escalating munitions costs and reduced funding, the only remaining option appeared to be manpower.

"However the Army's inability even to maintain the strength of its intervention brigades, let alone achieve significant growth, soon became self-evident. Moreover, serious leadership and training deficiencies, combined with the absence of any U.S. advisory or training effort, obviated major changes in the Khmer force structure, battle tactics or doctrinal reliance on firepower, even if sufficient time had been available.

"In sum, the U.S. taught the Khmer Armed Forces to survive through firepower. FANK was equipped with the means to employ it in large amounts. Outside sources of firepower were withdrawn so that they relied solely on their own firepower assets. Firepower and the logistics to support it became the two most important advantages FANK had over the KC [Khmer Communists], and by 1974 it was too late to change that orientation to any extent in the short term. Therefore, as escalating prices drove munitions costs progressively higher, increasing rather than decreasing levels of MAP funding were necessary to promote successful achievement of U.S. objectives in Cambodia."

FEELING SORRY FOR THE KHMER ROUGE

Shawcross at least acknowledges the genocidal brutality of the Khmer Rouge after they took power, in contrast to other prophets of the Left who still consider the charges to be imperialist propaganda. But Shawcross nevertheless excuses the atrocities by another line of argument: that they were all America's fault. Apologetics nontheless. His book is not subtitled "The Khmer Rouge and the Destruction of Cambodia," but "Kissinger, Nixon and the Destruction of Cambodia."

The viciousness of the Khmer Rouge he attributes to a paroxysm of vengeance, a seizure of "Manichean fear" induced by the severe "punishment" inflicted upon them in the years of their struggle—that is to say, by American and Cambodian efforts to resist them. This is one of the central theses of his book, and for it he offers no documentation whatsoever:

"All wars are designed to arouse anger, and almost all soldiers are taught to hate and to dehumanize their enemy. Veterans of the combat zone are often possessed of a mad rage to destroy, and to avenge their fallen comrades. It does not always happen, however, that victorious armies have endured such punishment as was inflicted upon the Khmer Rouge. Nor does it always happen that such an immature and tiny force comes to power after its country's social order has been obliterated, and the nation faces the danger of takeover by a former ally, its ancient enemy. In Cambodia that did take place. In the last eight years, degree, law, moderation had been forsworn. The war and the causes for which it was fought had brought desolation while nurturing and then giving power to a little group of zealots sustained by Manichean fear."

It is enough to make one feel sorry for the poor Khmer Rouge. How perfectly natural that they would up and murder three million of their own people! This is, of course, ridiculous. Most soldiers in combat have "endured . . . punishment" but none before have murdered a third of the population of their country after the war was over.

American bombing had ended twenty months before they came to power. The evacuation of Phnom Penh was planned months before. The savagery was systematic—forced dispersal of whole populations; destruction of traditional social structures, organized religion, and even the family; forced collectivization of agriculture; liquidation of the middle class and civil service; police terror—and it was all standard Khmer Rouge practice in all the areas they controlled in Cambodia from as early as 1971. The genocide was premediated, motivated by ideology, and the work of political fanatics. And the definitive evidence for this is found in Shawcross' own sources.

One of the best is "Cambodia: Year Zero" by Francois Ponchaud, a French Jesuit who lived through the early horrific phases of the Khmer Rouge victory. Ponchaud is a friend of Shawcross and no defender of American policy; nevertheless his book shows a clarity about Khmer Rouge motivations that Shawcross seems to have deliberately avoided. Shawcross cites Ponchaud extensively but never the passages stressing the idealogical premediation of Khmer Rouge policies dating back at least to 1972. Ponchaud writes, for example:

"[A]ccusing foreigners cannot acquit the present leaders of Kampuchea: their inflexible ideology had led them to invent a radically new society. A fascinating revolution for all who aspire to a new social order. A terrifying one for all who have any respect for human beings.

"So we must look elsewhere for an explanation of the deportation from Phnom Penh. The official reasons certainly had something to do with the decision to clear the city, but they do not seem sufficient. The deeper reason was an ideological one, as we later saw clearly when we learned that the provincial towns, villages, and even isolated farms in the countryside had also been emptied of their inhabitants.

"The evacuation of Phnom Penh follows traditional Khmer revolutionary practice: ever since 1972 the guerrilla fighters had been sending all the inhabitants of the villages and towns they occupied into the forest to live, often burning their homes so they would have nothing to come back for. A massive, total operation such as this reflects a new concept of society, in which there is no place even for the idea of a city. The towns of Cambodia had grown up around marketplaces; Phnom Penh itself owed its expansion to French colonialism, Chinese commerce, and the bureaucracy of the monarchy, followed by that of the republic. All this had to be swept away and an egalitarian rural society put in its place.

"On April 17, 1975, a society collapsed; another is now being born from the fierce drive of a revolution which is incontestably the most radical ever to take place in so short a time. It is a perfect example of the application of an ideology pushed to the furthest limit of its internal logic."

Shawcross had another important source as well: a U.S. government study by Foreign Service Officer Kenneth M. Quinn. From interviews with refugees fleeing Cambodia in 1973 and 1974, Quinn pieced together a detailed description of Khmer Rouge totalitarian practices and shows that they began in some areas in late 1971. Shawcross cites some of Quinn's account but leaves the impression that it all dates from 1974. Another source, a Cambodian intellectual, is quoted at length in reference to the 1972–73 period, but all the quotes describe Khmer Rouge organizational structure and political indoctrination, including their "respect for 'the ways of the people.'"

The distortion is calculated. American bombing reached its peak in the spring of 1973. The evidence of Father Ponchaud and Kenneth Quinn that the Khmer Rouge were totalitarian thugs in 1971 and 1972 contradicts the thesis that Shawcross struggles mightily but in vain to prove: that it was American bombing that turned the Khmer Rouge into butchers.

Sideshow is filled with countless other errors and distortions. On one page he asserts that "no Comumnist offensive had been launched" when the secret bombing began in 1969; yet the preceding page had quoted from a North Vietnamese document hailing the Communist spring offensive of 1969 because it killed more Americans than the Tet offensive of 1968 (pp. 109–111). His tendentious account of the role of the U.S. Embassy in the bombing procedures of 1973 (pp. 272–277) relies on a Senate Foreign Relations Committee staff report that is itself wildly erroneous. His chapters on alleged "missed opportunities" to negotiate a settlement are undercut by the mountain of evidence that the North Vietnamese and later the Khmer Rouge rejected all American and Cambodian overtures to compromise.

As a work of history the book is worthless. It is an elegant polemic in which scrupulous regard for evidence has been swept aside by political bias and emotional compulsion. Its elaborate documentation is impressive only if one has not seen the original documents. To understand it, one must leave historiography and explore the realm of psychiatry.

The antiwar movement's temptation to gloat at the long-predicted collapse of the "corrupt" anti-Communist regimes of Indochina was quickly stilled by the tales of holocaust that emerged from Cambodia. (The

"boat people" of Vietnam and the poison-gas campaign to exterminate the Hmong in Laos came a bit later.) for anti-war critics had assured us beforehand that the collapse of the Lon Nol government would end the killing and be a blessing for the Cambodian people. "What future possibility could be more terrible than the reality of what is happening to Cambodia now?" asked Anthony Lewis on March 17, 1975, urging a cutoff of American aid. Abandoning the Cambodian government was "for the good of the suffering Cambodians themselves," the Los Angeles Times assured us on April 11. "Indochina Without Americans: For Most, a Better Life," was the headline of a piece in the New York Times on April 13, datelined Phnom Penh. Its author, Sydney Schanberg, had comforted us a month before with a report that the Khmer Rouge would be more moderate after victory and that fears of a bloodbath were unfounded. These predictions turned out to be horribly wrong. The people of Cambodia paid the price. But there were no recriminations in America. The administration was stuck with a failed policy, and its opponents were understandably sheepish at the results of an outcome they had long urged.

Then along came Shawcross. Vietnam critics could now "resist all attempts to make them feel guilty for the stand they took against the war," as Stanley Hoffmann urged them in an enthusiastic review. Shawcross was a godsend. How psychologically comforting to have in hand a convoluted theory and purported evidence that American government decisions were the propelling force behind the horrible events after all. How politically convenient to be able to focus responsibility on a Republican administration for the most gruesome outcome of a failed military commitment begun under two liberal Democratic Presidents.

But it was too convenient to be true. The book's evidentiary basis is shoddy and deceitful. By no stretch of moral logic can the crimes of mass murderers be ascribed to those who struggled to prevent their coming into power. One hopes that no craven sophistry will ever induce free peoples to accept the doctrine that Shawcross embodies: that resistance to totalitarianism is immoral. So whatever the book's value as psychotherapy, as a history of Cambodia it is a joke. And as political apologetics it is obscene.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, I understand that an agreement has been reached now in respect to the consideration of S. 414, the so-called cash discount bill. I have before me a proposed unanimous-consent request dealing with time limitations and other matters, which I believe has been cleared on the minority side. May I inquire of the distinguished minority leader whether that is the case, and if he is prepared at this time to proceed with the request?

Mr. ROBERT C. BYRD. Mr. President, the majority leader is correct and the minority is ready to proceed with the agreement.

Mr. BAKER. Mr. President, I thank the minority leader.

In that case, Mr. President, I ask unanimous consent that the Senate new proceed to the consideration of S. 414.

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object, I only reserve the right to object to indicate for the RECORD that it was the majority leader's pronouncement earlier today that the Senate would only proceed but that it would not take further action on this measure today. Am I correct?

Mr. BAKER. Mr. President, the minority leader is correct. It is my intention to ask that the Senate proceed to the consideration of S. 414, then immediately to lay aside that matter temporarily until Thursday, March 12, in accordance with the request I am about to make.

Mr. ROBERT C. BYRD. Mr. President, I have no objection.

CASH DISCOUNT ACT

The PRESIDING OFFICER. The bill will be stated by title.

The assistant legislative clerk read as follows:

A bill (S. 414) to amend the Truth in Lending Act to encourage cash discounts, and for other purposes.

The PRESIDING OFFICER. Without objection, the Senate will proceed to consider the bill.

The Senate proceeded to consider the bill which had been reported from the Committee on Banking, Housing, and Urban Affairs with an amendment to strike out all after the enacting clause and insert the following:

That this Act may be cited as the "Cash Discount Act".

TITLE I—CASH DISCOUNTS

SEC. 101. Section 167(b) of the Truth in Lending Act (15 U.S.C. 1666f(b)) is amended to read as follows:

"(b) With respect to any sales transaction, any discount from the regular price offered by the seller for the purpose of inducing payment by cash, checks, or other means not involving the use of an open-end credit plan or a credit card shall not constitute a finance charge as determined under section 106 if such discount is offered to all prospective buyers and its availability is disclosed clearly and conspicuously.".

SEC. 102. (a) Section 103 of the Truth in Lending Act (15 U.S.C. 1602) is amended by adding at the end thereof the following:

"(z) As used in this section and section 167, the term 'regular price' means the tag or posted price charged for the property or service if a single price is tagged or posted, or the price charged for the property or service when payment is made by use of an open-end credit plan or a credit card if either (1) no price is tagged or posted, or (2) two prices are tagged or posted, one of which is charged when payment is made by use of an open-end credit plan or a credit card and the other when payment is made by use of cash, check, or similar means. For purposes of this definition, payment by check, draft, or other negotiable instrument which may result in the debiting of an open-end credit plan or a credit cardholder's open-end account shall not be considered payment made by use of the plan or the account.".

(b) Effective April 10, 1982—

(1) subsections (x) and (y) of section 103 of the Truth in Lending Act (as redesignated by section 603(b) of Public Law 96-221) are redesignated as subsections (y) and (z), respectively; and

(2) subsection (z) of such section (as added by subsection (a)) is redesignated as subsection (x) and is inserted after subsection (w).

SEC. 103. Any rule or regulation of the Board of Governors of the Federal Reserve System pursuant to section 167(b) of the Truth in Lending Act, as such section was in effect on the day before the date of enactment of this Act, is null and void.

TITLE II—BAN ON CREDIT CARD SURCHARGES

SEC. 201. Section 3(c)(2) of Public Law 94-222 (15 U.S.C. 1666f note) is amended to read as follows:

"(2) The amendments made by paragraph (1) shall cease to be effective on February 27, 1984.".

SEC. 202. Not later than two years after the date of enactment of this Act, the Board of Governors of the Federal Reserve System shall prepare a study, on the basis of a review and analysis of such data and studies as it finds appropriate, and shall submit its findings to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives on the effect of charge card transactions upon card issuers, merchants, and consumers, including to the extent possible—

(1) the effects of charge card transactions on retail sales;

(3) the effect of charge card usage on consumers and on merchants, including the effects on merchant cost; and

(3) the effect of charge card usage on the pricing of goods and services, with a comparison of the costs resulting from payment by (A) currency and coin, (B) by personal check or similar instrument, (C) by in-house credit plans, and (D) by charge card

TITLE III—MISCELLANEOUS

SEC. 301. Section 625(c) of Public Law 96-221 is amended by adding at the end thereof the following: "Any creditor who elects to comply with such amendments and any assignee of such a creditor shall be subject to the provisions of sections 130 and 131 of the Truth in Lending Act, as amended by sections 615 and 616, respectively, of this title.".

SEC. 302. Section 5137 of the Revised Statutes (12 U.S.C. 29) is amended by adding at the end thereof the following new paragraph:

"Notwithstanding any other provision of this section, any national banking association which, on the date of enactment of this paragraph, held title to and possession of real estate which was carried on the association's books at a nominal value on December 31, 1979, may continue to hold such real estate until December 31, 1982, if the earnings from such real estate are separately disclosed in the financial statements of the association.".

Mr. BAKER. Mr. President, I now ask unanimous consent that S. 414 be laid aside temporarily until Thursday, March 12, and that at that time, it automatically be made the pending business before the Senate following the conclusion of the time allocated to the two leaders under the standing order, any special orders that may be provided for on that date, and at the conclusion of the transaction of routine morning business, if such be ordered, to follow after the special orders.

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

TIME LIMITATION AGREEMENT

Mr. BAKER. At that time, Mr. President, I ask unanimous consent that there be time limitations as follows:

Two hours to be under the control of the distinguished Senator from Wisconsin (Mr. PROXMIRE); 1 hour to be under the control of the distinguished Senator from Ohio (Mr. GLENN); 1 hour to be under the control of the Senator from New Jersey (Mr. WILLIAMS); 1½ hours to be under the control of the Senator from Rhode Island (Mr. CHAFEE); 1 hour to be equally divided, on an amendment by Mr. GARN, dealing with the Home Mortgage Disclosure Act.

Provided, further, that the Garn amendment be offered only by the distinguished Senator from Utah (Mr. GARN); 30 minutes, to be equally divided, on amendments in the first degree; 20 minutes, to be equally divided, on amendments in the second degree; 10 minutes on debatable motions, appeals, or points of order, if the same be submitted to the Senate; and that the agreement be in the usual form.

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object, I wonder whether the distinguished majority leader would substitute the name of Mr. DODD for the name of Mr. WILLIAMS.

Mr. BAKER. I am pleased to do that, and I so modify the request.

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

The PRESIDING OFFICER (Mr. WEICKER). Is there objection? The Chair hears none, and it is so ordered.

The text of the agreement follows:

Ordered, That following the Leaders and any Special Orders on Thursday, March 12, 1981, the Senate proceed to the consideration of S. 414 (Order No. 28), a bill to amend the Truth in Lending Act, with 30 minutes on any amendment in the first degree (except an amendment to be offered by the Senator from Utah (Mr. GARN), relative to the Home Mortgage Disclosure Act, on which there shall be 1 hour), to be equally divided and controlled by the mover of such and the manager of the bill; with 20 minutes on any amendment in the second degree, to be equally divided and controlled by the mover of such and the manager of the bill; and with 10 minutes on any debatable motion, appeal, or point of order which is submitted or on which the Chair entertains debate, to be equally divided and controlled by the mover of such and the manager of the bill: *Provided*, That in the event the manager of the bill is in favor of such amendment or motion, the time in opposition thereto shall be controlled by the minority leader or his designee: *Provided further*, That no amendment that is not germane to the provisions of the said bill shall be received.

Ordered further, That on the question of final passage of the said bill, debate shall be limited to 5½ hours, with 2 hours controlled by the Senator from Wisconsin (Mr. PROXMIRE), 1 hour controlled by the Senator from Ohio (Mr. GLENN), 1 hour controlled by the Senator from Connecticut (Mr. DODD), and 1½ hours controlled by the Senator from Rhode Island (Mr. CHAFEE): *Provided*, That the said Senators, or any one of them, may, from the time under their control on the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, debatable motion, appeal, or point of order.

EXTENSION OF TIME FOR ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, is there time remaining for the transaction of routine morning business?

The PRESIDING OFFICER. All time has expired.

Mr. BAKER. Mr. President, I ask unanimous consent that the time for the transaction of routine morning business be extended for not to exceed 15 minutes, under the provisions previously stated.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

GAMBLING IN THE DISTRICT OF COLUMBIA

Mr. HATFIELD. Mr. President, I would like to make a few observations on the question of legalized gambling in the Nation's Capital.

I believe it is plain now that congressional action will be insufficient to disapprove of the initiative which passed in the last District of Columbia election to make gambling a part of our local lifestyle, but I do want to recount a few of the reasons for my opposition to legalized gambling for the District of Columbia.

First of all, 30 percent of the people of the District voted in the last election, and gambling won by a 3-to-2 margin, which is an absolute plurality of only 18 percent. So when we hear assertions made that somehow this issue has received the overwhelming support of the people of the District, we should be aware of precisely what percentage of the people of the District actually voted in support of legalized gambling.

Second, I believe it is evident that the contest was certainly one sided, as it involved expenditures for advertising. We can compute at least $200,000 that was spent on the campaign to pass the initiative, $80,000 just in the last 3 days of the election. There was no disclosure rule, so we cannot trace the source of this largesse. On the antigambling side, little money was raised and spent.

Third, the central question that I believe must always concern us is whether there is a Federal interest sufficient to intervene in this vote. We must bear in mind that in the home rule charter, Congress can intervene. We have the right to intervene at any point. The damage this gambling regime will do to the Federal City, I believe, is sufficient to bring this within the Federal interest.

I need not go into the fact that this is more than the Nation's Capital city. This is a world capital. Many people visiting the United States see America through the microcosm of Washington, D.C.

I ask the question: Does this enhance the image of America, of the United States generally?

I also ask another question today, as we are under budgetary restrictions. Who is going to support the increased appropriations required to meet the increasing social problems that will be brought about by this gambling activity?

I do not in any way want to denigrate any city in this country or any State in this country. However, I think a most recent study that has been made about the impact of gambling on the social order of a community, was reported by U.S. News & World Report. It recounted the social problems faced by Las Vegas, Nev., which is one of the gambling capitals of this country. They asked a simple question. Is there a relationship between social problems in Las Vegas and gambling?

The survey showed that the equivalent of one of every nine women in Las Vegas between the ages of 15 and 39 is acting as a prostitute, 10,000 estimated in all.

The alcoholism rate is the highest in the Nation.

The crime rate is the highest in the Nation.

The suicide rate is double the national average.

I believe there is little doubt, from reading at least this report, that one can draw certain relationships between the presence of gambling and the increase in social problems.

One also must recognize that legal gambling promotes illegal gambling by removing the stigma. Moreover, illegal gambling pays higher odds and does not provide information to the IRS, so that a big win is not taxed. Thus, an increase in legal gambling will probably cause an increase in illegal gambling, and organized crime will be attracted.

Legal gambling will not provide credit. Illegal games will give credit, and will give credit to a person deeply in debt. In illegal games, illegal collection methods will have to be used, also. Is this the kind of economic regime we want to achieve in the District?

Mr. President, the District has had a lottery before. Soon after the new Nation elected its first President, a lottery was begun to improve the Federal City. The first prize was a $50,000 hotel. It was unsuccessful, and the agent did not make enough money to pay the first prize. Two more District lotteries followed, and the confusion and lawsuits convinced the Federal Government to get out of the lottery business. This lottery is likely to cause similar problems, for different reasons.

Gambling is the best effort to date to defeat the renaissance of the Federal City. The proponents are building a casket to bury home rule. They are pallbearers of home rule rather than the defenders of States' rights. For who is going to pay the bill for the increase in social services needed as a result of increased social friction and bankruptcies, when we do have sufficient money today to pay for the kind of standard of education that should be characteristic of a capital city. Nor the resources today to pay for the health needs of this city, for the housing needs of this city, for the needs of the poor? Will it be the city, or will the Federal Government be asked for the fund?

Gambling is one of those parasites of society that plays to the poor, that lives off the poor. Decisions such as this by

the city fathers and mothers provide ammunition, I believe, for the opponents of home rule, and I have been one of the stalwart defenders and supporters of home rule.

The question then might be asked, Why drop the issue if it so clear? I suppose that, based upon the experience of my own State, the people of Oregon have the opportunity to vote for gambling and erode their income and tax basis. We have parimutuel gambling in my State, both horses and dogs. But the people of Oregon can also reverse that decision through the initiative process, and the District residents have the same opportunity.

Some believe that this is the correct method for elimnating gambling in the District. In fact, gambling opponents plan to organize a new antigambling initiative.

So we have this alternative.

But also, Mr. President, I am convinced that if this bill comes out of the committee through petition to the full Senate, and loses on the floor, the Senate will have voted on three issues in one, namely, the issue of home rule; second, the right of D.C. residents to use the initiative device; and third, gambling as a revenue-raising methods is accepted. The media will dwell on the last issue only, and the Senate will be characterized as having approved gambling. That is good image for us to project nationally.

Even though some of our colleagues will be voting on the home rule issue, or the issue of the right of residents of the District to use the initiative device, the overriding issue is the question of gambling or not for the District, and the media will correctly interpret it as such. Thus, I do not want to lose this vote on the floor.

I believe that if anyone really believes that the purpose of these games will be to benefit "charitable institutions"—and that is always the excuse given for gambling—he should look at the priority in which the winnings are distributed. I recall that in my State all the parimutuel funds were put into a pot, and then off the bottom of the pot they would give so much for the county fair associations, the 4-H Club program, and the children's programs. Every time the Oregon legislature would raise the issue whether or not to deal with the parimutuel gambling of the State, the gamblers stayed home. Those who conducted the races never had to appear. They sent the children before the committee to plead for the funds that they were deriving from parimutuel betting.

I think we should look at the small percentage those groups receive from the total gambling revenues and what small percentage that the District of Columbia charitable institutions will receive now. How is that pot distributed? First come the operator's expenses and the operator's profits. Then, taxes must be paid. Next, they must hold some capital for the next game. Finally, the beneficiary gets what is left. It is apparent to anyone who takes a moment to look at this list that the prime benefactor of the game is the operator, or the "house."

I do not think anyone would be foolish to believe that when one goes into such an operation one is engaging in an eleemosynary operation. It is for profit, and the profit belongs to those who operate it.

Some argue that through legal gambling we will eliminate, as they say, all of the other problems of our finance and taxes. That has not happened anywhere in this country that I know of.

Mr. President, I suggest something that every gambler knows. The percentage of the pot which goes out for other purposes determines the odds. It is important to realize that as long as legalized games pay taxes, audits, benefits to charitable institutions or any other expense not directly related to operations, they cannot hope to come close to the odds a gambler can get in an illegal game.

Moreover, any legal game must report winnings. Since this is not an obligation of an illegal game, all the prizes in an illegal game can be much larger.

So I rise today merely to share these thoughts out of frustration and out of great sadness. It looks as though the Committee on Governmental Affairs and the District of Columbia Subcommittee that has this issue before it, have determined that Senate Concurrent Resolution 6 shall not come to the floor and that any effort to bring it to the floor will be actively opposed. In all probability that would result in a vote that could be interpreted as affirmation by the Senate as support for gambling in the District.

So I have come to that rather agonizing decision that I must yield on my efforts and recognize that the gamblers have won at least this day. But in spite of all of the elements of respectability that have been bestowed upon this action, including the government of the District and others of leadership in the District, I do not make a great prophecy today by saying that they will be back up here on the Hill asking for increases in their budget for the District to deal with these increasing problems of housing, education, health, and all the other social issues that will rise in proportion to the gambling activities of this area.

I regret that the District has voted for this, and I regret much more that the Senate committee has seen fit not to challenge the initiative or to intervene as is the constitutional right and responsibility of the Senate. I hope we do not abrogate all our rights and responsibilities so quickly during the coming months.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

MESSAGES FROM THE PRESIDENT

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

EXECUTIVE MESSAGES REFERRED

As in executive session, the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the apppropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

MESSAGES FROM THE HOUSE

At 12:20 p.m., a message from the House of Representatives, delivered by Mr. Berry, one of its reading clerks, announced that the House has passed the following concurrent resolution, in which it requests the concurrence of the Senate:

H. Con. Res. 85. Concurrent resolution congratulating the government and people of Spain on their commitment to democracy.

At 12:40 p.m., a message from the House of Representatives, delivered by Mr. Berry, announced that pursuant to the provisions of section 1, Public Law 86-420, as amended, the Speaker appoints the following Members to the U.S. delegation of the Mexico-United States Interparliamentary Group: Mr. DE LA GARZA, chairman, Mr. YATRON, vice chairman, Mr. KAZEN, Mr. MILLER of California, Mr. SKELTON, Mr. KOGOVSEK, Mr. MICA, Mr. ROUSSELOT, Mr. LAGOMARSINO, Mr. RUDD, Mr. GOODLING, and Mr. DREIER.

The message also announced that pursuant to the provisions of Public Law 86-42, as amended, the Speaker appoints as members of the U.S. Delegation of the Canada-United States Interparliamentary Group to be held on May 22 to May 26, 1981, in Halifax, Nova Scotia, the following Members on the part of the House: Mr. FASCELL, chairman, Mr. BOLAND, vice chairman, Mr. GIBBONS, Mr. BONKER, Mr. LAFALCE, Mr. RUSSO, Mr. BARNES, Mr. HORTON, Mr. WINN, Mr. DAVIS, Mrs. SNOWE, and Mr. MARTIN.

The message further announced that pursuant to section 3(1) of Public Law 94-304, the Speaker appointed the following Members to the Commission on Security and Cooperation in Europe: Mr. FASCELL, chairman, Mr. YATES, Mr. BINGHAM, Mr. WIRTH, Mrs. FENWICK, and Mr. RITTER.

The message also announced that pursuant to the provisions of section 1 of Public Law 689, 84th Congress, as amended, the Speaker appoints as members of the U.S. group of the North Atlantic Assembly, to be held on May 22 to May 25, 1981, in Venice, Italy, the following Members on the part of the House: Mr. PHILLIP BURTON, chairman, Mr. HAMILTON, vice chairman, Mr. BROOKS, Mr. ANNUNZIO, Mr. ROSE, Ms. OAKAR, Mr. GARCIA, Mr. BOWEN, Mr. BROOMFIELD, Mr. FINDLEY, Mr. WHITEHURST, and Mr. BURGENER.

HOUSE CONCURRENT RESOLUTION REFERRED

The following concurrent resolution was read, and referred as indicated:

H. Con. Res. 85. Concurrent resolution congratulating the government and people of Spain on their commitment to democracy; to the Committee on Foreign Relations.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. McCLURE, from the Committee on Energy and Natural Resources, with an amendment:

S. 573. A bill to extend the expiration date of section 252 of the Energy Policy and Conservation Act.

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

Mr. THURMOND. Mr. President, from the Committee on Armed Services, I report favorably the following nominations: In the Reserve of the Army and Army National Guard, there are 34 appointments to the grade of major general and brigadier general (8 major general and 26 brigadier general) (list beginning with Brig. Gen. Robert Milton Erffmeyer); in the U.S. Navy, there are 38 temporary promotions to the grade of rear admiral (list beginning with Michael R. Ackley), and 9 temporary promotions to the grade of rear admiral (list beginning with Norman V. Cooley, Jr.); in the Marine Corps, there are 20 temporary appointments to the grade of major general and brigadier general (7 major general and 13 brigadier general) (list beginning with Thomas R. Morgan); and Maj. Gen. James W. Stansberry, U.S. Air Force, to be lieutenant general, I ask that these names be placed on the Executive Calendar.

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

Mr. THURMOND. In addition, in the Navy, there are 1,203 temporary/permanent appointments/promotions to the grade of captain and below (list beginning with Robert S. Chan) and 619 temporary/permanent promotions to the grade of lieutenant commander (list beginning with Clinton E. Adams); in the Navy and Naval Reserve, there are 566 temporary/permanent promotions to the grade of commander (list beginning with Alexander V. Abary; in the Air Force, there are 348 appointments/promotions to the grade of colonel and below (list beginning with George G. Abbott) and 1,146 promotions to the grade of 1st lieutenant (list beginning with Michael R. Ackley). Since these names have already appeared in the CONGRESSIONAL RECORD and to save the expense of printing again, I ask unanimous consent that they be ordered to lie on the Secretary's desk for the information of any Senator.

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

(The nominations ordered to lie on the Secretary's desk were printed in the RECORD of February 5, February 16, and February 19, 1981, at the end of the Senate proceedings.)

By Mr. DOLE, from the Committee on Finance:

Roscoe L. Egger, of the District of Columbia, to be Commissioner of Internal Revenue.

John E. Chapoton, of Texas, to be an Assistant Secretary of the Treasury.

Paul Craig Roberts, of Virginia, to be an Assistant Secretary of the Treasury.

(The above nominations from the Committee on Finance were reported with the recommendation that they be confirmed, subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

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

By Mr. STENNIS:

S. 617. A bill for the relief of Mrs. Elsie B. Lawson; to the Committee on the Judiciary.

By Mr. CANNON (by request):

S. 618. A bill for the relief of Anacleto Aboyabor Dotollo and Turtosa Accompanado Dotollo; to the Committee on the Judiciary.

By Mr. ROBERT C. BYRD:

S. 619. A bill for the relief of Alberto A. Fernandez, M.D.; to the Committee on the Judiciary.

By Mr. DOMENICI (for himself and Mr. SCHMITT):

S. 620. A bill to authorize the construction of a project for flood control in the vicinity of Albuquerque, New Mexico, and for other purposes; to the Committee on Environment and Public Works.

By Mr. DOMENICI (for himself and Mr. MOYNIHAN):

S. 621. A bill to authorize the National Water Resources Policy and Development Act of 1981, to direct the Water Resources Council to act as the coordinating body for a program of water resources assistance to the States, and for other purposes; to the Committee on Environment and Public Works.

By Mr. INOUYE:

S. 622. A bill to control the export of hazardous wastes; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. LEVIN:

S. 623. A bill to amend chapter 7 of title 5, United States Code, relating to judicial review of agency action to allow appeals from interlocutory orders on the assignment or conduct of an administrative law judge, and for other purposes.

By Mr. LEVIN (for himself and Mr. COHEN):

S. 624. A bill to amend the Internal Revenue Code of 1954 to require the Secretary of the Treasury to issue a certificate of release of a lien in certain cases, and for other purposes; to the Committee on Finance.

By Mr. DURENBERGER:

S. 625. A bill to revise the boundary of Voyageurs National Park in the State of Minnesota, and for other purposes; to the Committee on Energy and Natural Resources.

By Mr. MOYNIHAN:

S. 626. A bill to the Internal Revenue Code with respect to offsetting positions in personal property, and for other purposes; to the Committee on Finance.

By Mr. TOWER:

S. 627. A bill for the relief of James Antin Chua-Tuan, M. D.; to the Committee on the Judiciary.

S. 628. A bill for the relief of Martin Alfredo P. Marasigan, M.D., also known as Freddie del Prado Marasigan, M.D.; to the Committee on the Judiciary.

S. 629. A bill to increase fines for trading without a license; to the Committee on Commerce, Science, and Transportation.

By Mr. SASSER (for himself, Mr. RANDOLPH, Mr. ROBERT C. BYRD, and Mr. BAUCUS):

S. 630. A bill to revise loan guarantee provisions of the Airline Deregulation Act of 1978, and for other purposes; to the Committee on Commerce, Science, and Transportation.

By Mr. DECONCINI (for himself, Mr. MATSUNAGA, Mr. HEINZ, Mr. FORD, and Mr. INOUYE):

S. 631. A bill to dismiss certain cases pending before the Education Appeal Board; to the Committee on Labor and Human Resources.

By Mr. RANDOLPH (for himself and Mr. ROBERT C. BYRD):

S. 632. A bill for the relief of Herbert J. Thomas Memorial Hospital; to the Committee on the Judiciary.

By Mr. MELCHER:

S. 633. A bill for the relief of Estefania Tolentino; to the Committee on the Judiciary.

By Mr. McCLURE (for himself, Mr. SYMMS, Mr. WALLOP, and Mr. SIMPSON):

S. 634. A bill to authorize the exchange of certain lands in Idaho and Wyoming; to the Committee on Energy and Natural Resources.

By Mr. HEINZ:

S. 635. A bill to effect certain reorganization of the Federal Government to strengthen Federal programs and policies for combating international and domestic terrorism; to the Committee on Governmental Affairs.

By Mr. CRANSTON (for himself, Mr. RANDOLPH, and Mr. STAFFORD):

S. 636. A bill to clarify the Veterans' Administration's authority to recover certain health-care costs, to extend the period of availability of funds committed under the Veterans' Administration program of assistance to new State medical schools, to authorize expansion of the scope of and epidemiological study regarding veterans exposed to Agent Orange, and for other purposes; to the Committee on Veterans Affairs.

By Mr. JOHNSTON (for himself and Mr. JACKSON):

S. 637. A bill to establish a program for Federal storage of spent fuel from civilian nuclear powerplants, to set forth a Federal policy and initiate a program for the disposal of nuclear waste from civilian activities, and for other purposes; to the Committee on Energy and Natural Resources.

By Mr. BENTSEN:

S. 638. A bill to amend the Internal Revenue Code of 1954 to allow individuals to compute the amount of the deduction for payments into retirement savings on the basis of the compensation of their spouses, and for other purposes; to the Committee on Finance.

By Mr. PACKWOOD (for himself and Mr. BENTSEN):

S. 639. A bill to amend the Internal Revenue Code of 1954 with respect to the income tax treatment of incentive stock options; to the Committee on Finance.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. DOMENICI (for himself and Mr. SCHMITT):

S. 620. A bill to authorize the construction of a project for flood control in the vicinity of Albuquerque, N. Mex., and for other purposes; to the Committee on Environment and Public Works.

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

By Mr. DOMENICI (for himself and Mr. MOYNIHAN):

S. 621. A bill to authorize the National Water Resources Policy and Development Act of 1981, to direct the Water Resources Council to act as the coordinating body for a program of water resources assistance to the States, and for other

purposes; to the Committee on Environment and Public Works.

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

By Mr. INOUYE:

S. 622. A bill to control the export of hazardous wastes; to the Committee on Banking, Housing, and Urban Affairs.

EXPORT OF HAZARDOUS WASTES CONTROL ACT OF 1981

● Mr. INOUYE. Mr. President, today I am introducing a bill to amend the Export Administration Act of 1979 which will curb the unregulated export of hazardous wastes. Americans are all aware of the special dangers that toxic substances—especially wastes—pose to our health and environment. The Congress in particular has recognized the need to control the handling and disposal of hazardous substances in such legislation as the Toxic Substances Control Act (TOSCA) and the Resource Conservation and Recovery Act (RCRA). However, there is an important loophole in our efforts to control the disposal of hazardous wastes: they can be shipped abroad.

In some cases, this is not a problem since the wastes are destined for reprocessing in countries that are fully aware of the dangers involved. In other cases though, foreign governments have not been completely informed about the hazards nor can they guarantee that local companies are able to handle the wastes safely. Moreover, wastes are sometimes exported from the United States in order to avoid the strict guidelines that would have applied to their disposal here. Except for PCB's and dioxin, which are controlled under TOSCA, it is impossible for the U.S. Government to stop the export of hazardous wastes even if they pose a significant threat to the health and environment of the recipient country.

The United States should be setting an example in the area of hazardous waste management. Instead, we are leaving ourselves open to recreating a Minamata or a Love Canal in another country. The time has come to invoke our longstanding policy of enacting export controls in order to protect the foreign policy interests of the United States. Mr. President, I am sure that my distinguished colleagues will agree that curbing the export of hazardous wastes is in the best interests of both the United States and our friends abroad.

The bill I am introducing will expand the Commodity Control List established under section 4(b) of the Export Administration Act to include all of the hazardous wastes defined and listed under section 3001 of the Resource Conservation and Recovery Act. It will also include sewage sludge and other liquid wastes that do not fall under the Environmental Protection Agency's current definition of "hazardous waste."

In order to export a hazardous waste, a person or company in the United States must secure a validated license—section 4(a)(1) of the Export Administration Act—from the Secretary of Commerce, who will issue the license only after appropriate consultation with the Secretary of State and the Administrator of the Environmental Protection Agency. In granting a license, the Secretary of Commerce must be satisfied that the importing country is fully informed about the shipment and is willing to deal with the hazards involved. In so doing, we will also be able to keep accurate records of the nature, volume, and final disposition of wastes exported from the United States.

Mr. President, the mechanisms for controlling the export of hazardous waste are already in place: no further authorizations or appropriations are needed. The export of hazardous waste does not contribute to a favorable balance of trade, but it does entail enormous risks. I trust that my fellow Senators will join with me in stemming the export of hazardous wastes before it does real and lasting harm to either the United States or one of our trading partners abroad.

I ask unanimous consent that the full text of this measure be printed in the RECORD.

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

S. 622

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

SHORT TITLE

SECTION 1. This Act may be cited as the "Export of Hazardous Wastes Control Act of 1981".

FINDINGS AND POLICY

SEC. 2. (a) Section 2 of the Export Administration Act of 1979 is amended by adding at the end thereof the following:

"(10) There are currently no meaningful controls over the export of hazardous wastes. However, the United States recognizes that hazardous wastes present a special danger to the health and environment of people in all countries. It is therefore in the best foreign policy interests of the United States to control the export of hazardous wastes.".

(b) Section 3 of such Act is amended by adding at the end thereof the following:

"(12) It is the policy of the United States to permit the export of hazardous wastes only if the recipient country has been notified of the export and such country is capable of handling the wastes appropriately.".

PROHIBITION

SEC. 3. Section 7 of the Export Administration Act of 1979 is amended by adding at the end thereof the following:

"(k) HAZARDOUS WASTES.—(1) As used in this subsection, the term 'hazardous waste' means—

"(A) a solid or liquid waste, or combination of wastes, which because of its quantity, concentration, or physical, chemical, or infectious properties, which the Administrator of the Environmental Protection Agency determines may—

"(1) cause or significantly contribute to an increase in—

"(I) mortality;

"(II) serious irreversible illness; or

"(III) incapacitating, reversible illness; or

"(ii) pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, disposed of, or otherwise managed;

"(B) any hazardous waste identified and listed by the Administrator of the Environmental Protection Agency under section 3001 of the Resource Conservation and Recovery Act of 1976 (Public Law 94-580); and

"(C) any sewage sludge or residue, liquid or solid, from a waste treatment plant.

"(2) Hazardous waste may be exported from the United States only pursuant to a validated export license. The Secretary of Commerce may issue such a license—

"(A) only after consultation with the Secretary of State and the Administrator of the Environmental Protection Agency; and

"(B) only if he is satisfied that the government of the importing country (i) has been fully informed about the proposed shipment and the hazards involved; and (ii) agrees to the shipment.

"(3) The provisions of this subsection apply to all exports of hazardous wastes including—

"(A) those destined for recycling, reprocessing or treatment abroad;

"(B) those destined for disposal abroad;

"(C) those sold to governments or companies in other countries; and

"(D) those for which United States companies, persons, or governmental agencies paid another country or company to recycle or dispose of the wastes.".

REPORT

SEC. 4. Section 14 of the Export Administration Act of 1979 is amended by adding at the end thereof the following:

"(d) Report on Exports of Hazardous Wastes.—The Secretary of Commerce shall include in each annual report a list of—

"(1) all hazardous wastes for which validated export licenses are required;

"(2) the number and type of applications received by the Department of Commerce for the export of hazardous wastes; and

"(3) hazardous wastes for which export licenses, if any, were granted.".●

By Mr. LEVIN:

S. 623. A bill to amend chapter 7 of title 5, United States Code, relating to judicial review of agency action to allow appeals from interlocutory orders on the assignment or conduct of an administrative law judge, and for other purposes.

JUDICIAL REVIEW OF CERTAIN INTERLOCUTORY ORDERS

Mr. LEVIN. Mr. President, today I am reintroducing a bill to provide for judicial review of interlocutory orders concerning the assignment or the conduct of an administrative law judge, if the party adversely affected by the order files an application for appeal within 10 days after the entry of the interlocutory order.

Over 2 years ago, constituents of mine brought to my attention an incident which had occurred with regard to the Federal Trade Commission's case against the three ready-to-eat cereal companies. After having presided over the case for 6 years, Administrative Law Judge Harry R. Hinkes informed officials at the FTC that he intended to retire. Rather than face the possibility of a retrial, the Commission agreed to enter into a contractual arrangement with Administrative Law Judge Hinkes to continue hearing the case.

When serious questions were raised about the circumstances surrounding the contractural employment of Mr. Hinkes by parties to the case, the former administrative law judge became "unavailable" to hear the case and a new Administrative Law Judge was appointed. The newly appointed Administrative Law Judge Berman took up the case where

former Administrative Law Judge Hinkes had left off and the FTC avoided a retrial.

Because of my concern about the events surrounding the arrangement of Hinkes' contract and the possibility that the Administrative Procedures Act may have been violated, I sent a letter to the FTC requesting that an independent law judge be appointed to investigate the matter. Up until recently, the Commission failed to recognize the need to appoint someone outside of the agency to take a look at this problem. As a result, the case has progressed under a cloud of impropriety concerning the Hinkes matter for over 2 years. On February 13, 1981, the Commission ordered that an independent law judge be appointed to undertake additional factfinding about the contract which was arranged with former Administrative Law Judge Hinkes. The FTC has not yet defined the scope of that inquiry, so I must withhold my total support of it, but I do believe that it is a positive and long overdue step in the right direction.

Mr. President, just days after the FTC issued its order, District Court Judge Gash dismissed the Kellogg Co.'s challenge to the propriety of the FTC's action in replacing Judge Hinkes without ordering a rehearing and stated:

> Although plaintiff raises serious questions of statutory and constitutional violations, the Court concludes that it is without jurisdiction to hear plaintiff's complaint. Rather, such review is reserved for the Court of Appeals after the Commission has reached a final determination appealable under 15 U.S.C. 45(c).

Thus, while Judge Gash recognized that there were serious implications about the FTC's decision to appoint Administrative Law Judge Berman without ordering a rehearing, he was powerless to render a judgment because current case law—FTC against SOCAL—requires that there be a final agency action before the court can review the Hinkes matter.

The bill I am reintroducing today addresses this problem. Rather than allowing these cases to drag on for years when there are serious questions raised about the assignment or conduct of the administrative law judge presiding over the case, my bill would provide a mechanism for review. Before the taxpayers and the parties involved had spent millions of dollars which may be for naught because the administrative law judge's decision would not be upheld in appeals anyway, the court could review the interlocutory order.

Mr. President, we are in a situation with regard to the cereals case where there is extreme doubt in the minds of many people who have followed the case and are familiar with the so-called Hinkes affair as to whether or not the contractural employment of Hinkes and the FTC's subsequent decision not to order a retrial have so tainted the case against the cereal companies that any final decision must be called into question. My bill would prevent situations like this—which I do not believe will happen frequently—from reoccurring.

By Mr. LEVIN (for himself and Mr. COHEN):

S. 624. A bill to amend the Internal Revenue Code of 1954 to require the Secretary of the Treasury to issue a certificate of release of a lien in certain cases, and for other purposes; to the Committee on Finance.

LEGISLATION REGARDING INTERNAL REVENUE SERVICE PROCEDURES

Mr. LEVIN. Mr. President, on July 31, 1980, I chaired a hearing which the Governmental Affairs Subcommittee on Oversight of Government Management held on Internal Revenue Service collection practices and their impact on small business.

The investigation began as a result of reports from small businesses of what appeared to be arbitrary, unnecessary, and heavyhanded IRS use of its broad lien, levy, and seizure authority to collect delinquent taxes. Similarly, a number of IRS revenue officers had contacted the subcommittee with criticisms of internal managerial pressure mandating arbitrary liens, levies, and seizures even though inappropriate and where the tax delinquency could have been better recovered for the Treasury with less arbitrary and less harsh methods.

One of the major subcommittee concerns was IRS' use of its lien and levy authority. The subcommitte found that liens imposed against taxpayer's property frequently remained on that property well after the delinquency was satisfied and well after the need for the lien expired. Additionally, we found that sometimes levies were issued against taxpayer bank accounts and receivables even where revenue officers had agreed to an installment pay plan, and the taxpayer was abiding by it.

In fiscal year 1979, the IRS issued 465.029 levies, and 371,337 liens. More recently, in fiscal year 1980, levies had risen to 610,942, a 31-percent increase, and liens had climbed to 445,285, up 20 percent over 1979. With the increased use of liens and levies, the concern for fairness in their application is even more pressing.

As a result of the subcommittee's findings and the concerns raised, I am introducing this bill, along with Senator COHEN, who now chairs the subcommittee, which is designed to address two very specific problems which were brought to our attention during that hearing.

One of these problems, as noted earlier, is that the IRS fails to promptly release liens on taxpayer's property once the tax delinquency has been fully paid. A lien on a taxpayer's assets ties up the property and destroys its usefulness as collateral for the individual or business to borrow against—even to pay the IRS. Currently, section 6325(a) of the Internal Revenue Code authorizes the IRS to release liens when the liability has been satisfied; however, that authority is entirely discretionary, and lacks any reference to how soon the lien should be released. Our bill would amend that section by requiring the prompt release of liens where the liability has been paid.

The second problem is that taxpayers who had their bank accounts or accounts receivable levied by the IRS received no notice of that levy from the IRS following the levy. A levy against a taxpayer can quickly strip a taxpayer of all cash flow reserve, and irrevocably damage his or her credit worthiness, particularly when the taxpayer is a small business. We propose to amend the code to require notice to the taxpayer promptly after the levy is made.

The need for the proposed changes was well documented in the testimony and evidence heard and received at the hearing. Senator COHEN's statement, which follows, aptly details the plight of two small businessmen who testified before us, and who had liens and levies placed against them. The significant financial consequences of a failure to release a lien or to notify a taxpayer of a levy are well illustrated in those two examples.

The Congress has conferred powerful forcible collection powers on the IRS, including its authority to summarily lien, levy, or seize and sell taxpayer's property and rights to property. These powers play an important role in the IRS collection effort and are necessary to insure that taxpayers will not play fast and loose with the Federal tax system. However, when the use of these powers is abused or arbitrarily applied, then what was created as a necessary tool turns into a deadly weapon.

The bill we are introducing today is not intended to compromise or diminish the needed authority we have vested in the IRS. Rather, it simply attempts to shield taxpayers from the unnecessary drastic financial consequences of a levy without subsequent notice, or a lien which the IRS fails to release when taxes are fully paid.

Mr. President, I ask unanimous consent that the bill be printed in the RECORD.

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

S. 624

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

SECTION 1. RELEASE OF CERTAIN TAX LIENS REQUIRED.

(a) IN GENERAL.—Subsection (a) of section 6325 of the Internal Revenue Code of 1954 (relating to release of lien or discharge of property) is amended by striking out "may issue" and inserting in lieu thereof "shall promptly issue".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to any lien in effect on or after the date of the enactment of this Act.

SEC. 2. NOTICE OF LEVY TO TAXPAYER IN THIRD PARTY CASES.

(a) IN GENERAL.—Section 6331 of the Internal Revenue Code of 1954 (relating to levy and distraint) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

"(e) NOTICE OF LEVY TO TAXPAYER.—In the case of property held by a person other than the taxpayer (other than salary or wages described in subsection (d)), levy may be made under subsection (a) only if, at the same time notice of levy is sent to such

person, notice of levy is also sent to the taxpayer at the taxpayer's last known address.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to any levy made on or after the date of the enactment of this Act.

● Mr. COHEN. Mr. President, I am pleased to be a cosponsor of Senator LEVIN's legislation to provide needed safeguards for taxpayers affected by the Internal Revenue Service's debt collection practices.

This bill would insure that the IRS notifies the delinquent taxpayer when a lien or a levy is imposed on his property or a seizure has been made. It would also require the IRS to release promptly any liens as soon as the tax liability, interest, and penalties have been paid in full. Both of these requirements are reasonable safeguards and would not impose any onerous burden on the agency.

In fact, I believe that most taxpayers would assume that, under its current procedures, the IRS already would be required to notify a taxpayer when seizing his assets. Similarly, most taxpayers would expect that, once the delinquency and penalties had been repaid, the IRS would quickly release its claims on the taxpayer's property. However, hearings before the Senate Governmental Affairs Oversight Subcommittee demonstrated that neither procedure is consistently followed.

Last year, the Oversight Subcommittee examined the IRS' debt collection practices. The subcommittee heard from small businessmen and IRS revenue officers who indicated that the agency at times has abused its debt collection powers. Testimony and documents obtained by the subcommittee showed that several field offices placed undue emphasis on seizing assets, in direct contradiction of stated IRS national policies. The consequences of these abuses fall particularly heavily on small businesses, which may be forced into bankruptcy because of hasty and unnecessary IRS seizures of assets.

The subcommittee heard from small businessmen from Maine and Michigan who detailed their problems with the IRS. In the case of the Maine businessman, the IRS seized thousands of dollars from his business checking account without notifying either the owner or manager that it had done so. The businessman discovered the seizure only after he received a notice in the mail from his bank. And this seizure occurred despite the fact that the IRS had previously agreed to a gradual repayment plan which the businessman was meeting.

The Michigan businessman told the subcommittee of his difficulty in getting IRS to release its lien even after he had fully repaid the tax liability and resulting penalties.

Let me also emphasize that in both of these cases, the tax delinquency resulted from an embezzlement; neither businessman was at fault. But the IRS insensitively ignored the mitigating circumstances, disregarded it own verbal agreements with the taxpayers, and treated both businessmen harshly and unfairly.

Senator LEVIN's legislation seeks to prevent these abuses from continuing by providing added protections for delinquent taxpayers.

The IRS has a clear obligation to pursue vigorously the collection of taxes owed the Federal Government. No one disputes that the agency should use the forceful powers it has been delegated to recover taxes in cases in which the delinquency either was deliberate or the business has not made a good faith effort to repay the outstanding debt. Nevertheless, the powerful procedures available to the IRS, including the seizure of a business' assets, should be resorted to only after cooperative methods have failed and mitigating circumstances have been fully considered.

The United States is considered to have the most effective tax system in the world because of its high degree of voluntary compliance. Nearly all American businesses and individuals report their incomes honestly and pay their taxes promptly. But perhaps the true measure of a tax system is how it treats those who appear to violate its precepts. We will surely jeopardize the success of our system if we do not insure that the agency charged with administering it operates equitably and efficiently.

In my judgment, this legislation will help insure fairer treatment of taxpayers who appear to be or are delinquent in their payments to the Federal Government. The Government not only has an obligation to collect its debts, but also to treat its debtors fairly.●

By Mr. DURENBERGER:

S. 625. A bill to revise the boundary of Voyageurs National Park in the State of Minnesota, and for other purposes; to the Committee on Energy and Natural Resources.

VOYAGEURS NATIONAL PARK

● Mr. DURENBERGER. Mr. President, I am introducing a bill to amend the act of January 8, 1971, authorizing the establishment of the Voyageurs National Park and for other purposes.

Legislation authorizing the establishment of Voyageurs National Park was passed in January 1972. It was not until April 1975 that the park was officially established by the Secretary of the Interior. Since that time, much has been accomplished. The Voyaguers Park master plan has been adopted, all but 7,065 acres of the 133,622 land acres in the park have been acquired and alternatives for wilderness designation in the park have been developed and are in the public hearing phase.

Throughout this planning phase there has been extensive public involvement. The Voyageurs National Park Association, established in 1963, provided leadership in the park's formation and has served as a broad-based membership citizens' organization which has been actively and effectively involved in Voyageurs Park issues to the present time. The State of Minnesota officially created the Citizens Committee on Voyageurs National Park in 1975. This group has provided a forum for northern local involvement as well as reflecting State concerns.

In addition, extensive public meetings have been conducted throughout the State on park management issues.

The future development of Voyageurs National Park looks bright and is insured if the public and the established groups with an interest in the park continue to be effectively involved.

The bill I introduce today will carry out the recommendations arrived at in the master plan for the park. But more significantly, it will also resolve the points of controversy between northern Minnesota residents, the State of Minnesota and the Department of the Interior which have arisen during the planning process.

Since the establishment of Voyageurs Park in 1975, the National Park Service has banned hunting in the Black Bay area on the western border of the park in accordance with the Service's standard prohibition on hunting in national parks. This has been the most serious controversy with area residents who have maintained that waterfowl hunting should not have been prohibited in Black Bay.

This bill will provide for the transfer of 1,000 acres, primarily water of Black Bay, to the State of Minnesota and will establish this section as a State wildlife management area which will permit waterfowl hunting under State regulations.

A second major problem has been in private land acquisition with a 1971 authorization too low for 1977–80 market values. This legislation would increase authorization from $26 million to $36.9 million which reflects the current best estimate of the required amount for the 6,572 acres which purchase will be from willing sellers except for selected parcels designated for development of the park in the Voyageurs land acquisition plan which is expected to be released shortly. Of land acquired since 1975 at Voyageurs, 66,442 acres have been purchased at a cost of $30 million, and 60,095 acres have been donated by the State of Minnesota or Federal agencies. Condemnation has been used in only 34 cases.

The bill to revise the boundary of Voyageurs National Park and increase the authorizations for land acquisition culminates over a year of negotiations which began when the National Park Service announced its desire to negotiate with the State of Minnesota regarding Black Bay and State lands outside the park needed for park access and development.

The bill represents the agreement reached by the Department of the Interior and the State of Minnesota and is supported by the Governor of Minnesota, Al Quie, as well as the Department of the Interior. The overwhelming majority of the official State of Minnesota Citizens Advisory Committee of Voyageurs also approved the bill.

The companion bill is being introduced in the House by Congressman OBERSTAR and has the support of Congressman VENTO and others in the Minnesota delegation.

A magnificent national park, the establishment of Voyageurs is to the great credit of the Nation, my State of

Minnesota, and the people whose vision helped create the park.

I am pleased to introduce a bill which I believe will help measurably to facilitate the management and development of the park in the best interests of the public it serves.

The proposed legislation also includes the following provisions:

First. The deletion from Voyageurs of 782 acres in the Neil Point, or Gold Shores, area on Rainy Lake. This area is no longer necessary for a park administration building. The use of it would require substantial dredging of Rainy Lake, which the Park Service has determined would be environmentally unacceptable, and considerable residential development in the area makes it incompatible with the purposes of the park.

The Park Service master plan for Voyageurs supports deletion of the Neil Point area and as an alternative thereto, recommends.

Second. The addition to Voyageurs of 180 acres of land and water at Black Bay Narrows for park development needs. The narrows site has been selected by the Park Service to provide the primary access site to the park, boat launching facilities, a ranger station, a visitor center, and a central maintenance facility, all of which could and should be constructed as early as fiscal year 1982.

Third. The deletion of Black Bay from the park by the Secretary of the Interior, subsequent to the following actions by the State of Minnesota.

DNR designation of the portion of Black Bay now in the park (1,000 acres) as a wildlife management area, permitting the hunting of ducks, and the development of a wildlife management plan for the entire Black Bay area. The State has agreed to develop a management plan for the entire 5,500-acre area of Black Bay, to insure optimum management of it on a consistent basis. The agreement on Black Bay is with the understanding that the State of Minnesota will maintain the wildlife management area in perpetuity.

The State of Minnesota will grant and the National Park Service will acquire a perpetual easement on approximately 120 acres of State land on the Sullivan Bay access road between the present park boundary and the Ash River Trail (county 765). The easement would include the present dirt road and a corridor of 400 feet wide along the road. Easement would permit the National Park Service to realine and improve the road, which is seen as an access point to Voyageurs. National Park Service financial assistance in upgrading this road has long been sought by local officials. The 400-foot strip will insure the park visitors a scenic view, shielded from potential logging sites in that area.

The State of Minnesota will grant and the National Park Service will acquire a lease of 18.45 acres of land at the Kabetogama forestry station on the western boundary of the park. This will permit the National Park Service to develop parking facilities and other services for park visitors. Like the Ash River and Sullivan Bay areas, Kabetogama is seen as an access point for visitors to the park, and a desirable area for National Park Service facilities.

One final major management decision is not covered in this bill—possible wilderness designation in the park. That decision is in the public review process.

However, with exception of possible wilderness designation, I see this bill as the end, not the beginning, of legislative solutions to controversies in Voyageurs National Park.

In the ongoing management of Voyageurs, I strongly urge the National Park Service to closely consult and seek advice from the Voyageurs National Park Association, the Citizens Committee on Voyageurs National Park, and the more recently formed Voyageurs National Park Coalition.

I strongly recommend the passage of this bill to the Senate as a major step toward the development of what we in Minnesota consider the finest national park in the country.

I ask unanimous consent that the bill be printed in the RECORD.

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

S. 625

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled, "An Act to authorize the establishment of the Voyageurs National Park in the State of Minnesota, and for other purposes", approved January 8, 1971 (84 Stat. 1971), is amended as follows:

(1) By redesignating "SEC. 102." as "SEC. 102 (a)". and inserting the following new subsection after subsection (a) of section 102:

"(b)(1) In addition to such revisions as the Secretary may make in the boundaries of the park from time to time pursuant to other provisions of law, the Secretary is specifically authorized in the manner provided in subsection (a)—

"(A) to delete approximately 782 acres in the Neil Point area of the park;

"(B) to add approximately 180 acres in the Black Bay Narrows area of the park;

"(C) to add approximately 18.45 acres owned by the State of Minnesota at the Kabetogama Forestry Station;

"(D) to add approximately 120 acres owned by the State of Minnesota, being a strip of land through that portion of section 1, township 68 north, range 20 west, fourth principal meridian, which is parallel to and 400 feet on both sides of the unimproved road extending northward from the Ash River Trail as such road crosses said section; and

"(E) to delete approximately 1,000 acres at Black Bay.

"(2) The boundary revisions specified in subparagraphs (C), (D), and (E) of paragraph (1) shall, notwithstanding anything to the contrary contained in this Act or any other law, become effective only upon (i) the tender of a conveyance to the United States, by such instrument and in such manner as are satisfactory to the Secretary, including but not limited to lease or easement, by the State of Minnesota of the lands or interests therein described in subparagraphs (C) and (D) for purposes of the park; (ii) the establishment by the State of Minnesota of a wildlife management area in the area authorized to be deleted from the park by subparagraph (E), and (iii) agreement of the State of Minnesota, incorporated in a plan, to manage State lands riparian to Black Bay to preserve the natural character of the area so as to complement to the fullest extent possible the management of the park.

"(3) At such time as the deletion referred to in subparagraph (E) of paragraph (1) becomes effective, the Secretary is further authorized to convey to the State of Minnesota all right, title, and interest of the United States in and to property acquired for the park from the State within the area deleted pursuant to subparagraph (E).".

(2) By redesignating "SEC. 401." as "SEC. 401. (a)" and inserting the following new subsection after subsection (a) of section 401.

"(b) In addition to such sums as may have been appropriated for the acquisition of property prior to the effective date of this subsection, there is authorized to be appropriated for that purpose not to exceed $10,995,000.".

(3) The Secretary is directed to study existing road access to the park and to report to Congress on the impact of park-related use of those roads and to report specific recommendations on improvements necessary to insure adequate road access to the park. The Secretary is directed to report within one year of the date of enactment of this section to the Committee on Interior and Insular Affairs of the House of Representatives and to the Committee on Energy and Natural Resources of the Senate.●

By Mr. MOYNIHAN:

S. 626. A bill to the Internal Revenue Code with respect to offsetting positions in personal property, and for other purposes; to the Committee on Finance.

COMMODITY STRADDLES TAX ACT OF 1981

Mr. MOYNIHAN. Mr. President, the legislation I am introducing today would crack down on a popular tax-shelter device known as the commodity straddle.

The bill has two parts.

Part one suggests general rules that, if enacted, would insure that straddles are not used in future to avoid taxes.

Part two contains specific rules; these are aimed at the more imaginative straddles that the Internal Revenue Service has discovered in recent years. One needs specific rules for these straddles because the general rules would be inadequate.

The bill has a May 5, 1981, effective date. I have chosen that date because I still regard the measure as a discussion draft; I invite anyone who wishes to comment on it. I suspect it will be late April or early May before I have a bill that I can say with confidence is the best that can be written.

Straddles pose a difficult challenge. They are a tax shelter that works almost too well. It is almost too easy to defer paying taxes by using straddles. It is almost too easy to convert income that would be taxed at 70 percent into long-term capital gain, taxed at 28 percent.

Consequently, straddles represent a serious tax equity problem. They are a threat to the integrity of the Federal tax system.

Straddles are also an economic efficiency problem. They cause capital to be diverted to the commodities markets from other sectors. This capital is invested unproductively. Straddles cause a tremendous waste of human capital: Hundreds of lawyers and brokers are needed to package and market them.

I do not know what the cost to the economy is. I know it is large. I know

that the Government will lose $1.3 billion from straddles in fiscal year 1982, and that without action by Congress, the losses in 1983 and in later years will be greater.

Any legislation must take account of these problems.

At the same time, the legislation must acknowledge that straddles are sometimes used by investors who merely want to make a profit. And when used in this fashion, they are perfectly legitimate. Indeed, they serve a valuable economic purpose by promoting liquidity in the commodities markets.

The difficult question is, How does one devise rules that prevent straddles from being used as tax shelters, but that permit their use in other circumstances?

The bill I propose would set out the following principles. In general, an individual would be unable to deduct his loss from a straddle until he has been out of the straddle for 30 days. The bill calls this period covering the straddle plus 30 days the balanced period.

To illustrate, suppose an investor has two futures contracts, one to buy and one to sell a commodity. He disposes of one of the contracts at a loss, but keeps the other; 30 days later, the investor may deduct the loss.

However, if he enters into a new futures contract that tends to offset the remaining contract—and he does so during the 30 days—then the loss may not be deducted. The investor is still in a straddle. The balanced period has not ended.

The bill would also suspend the holding period for capital gains during the balanced period. This is to prevent conversion of short-term gain into long-term gain.

Ordinarily, a futures contract to sell a commodity will produce a long-term gain if it is held for more than 6 months. But under the bill, the 6 months would not run from the time the investor enters into a straddle until he has been out of the straddle for 30 days.

The new rules would apply to straddles in commodities, debt instruments, and personal property, but not in corporate stock.

Only straddles involving what the bill calls offsetting positions would be affected. An offsetting position is a straddle in which the contracts tend substantially to diminish the taxpayer's risk of loss. There is a conclusive presumption that certain types of straddles meet this test—like straddles in silver, gold, and Treasury-bill futures.

Those are the general principles.

The bill also proposes a set of specific rules. I won't go into them at the moment, except to say that they deal with such matters as cash-and-carry transactions, the 30-day rule for securities dealers, and the sale-or-exchange requirement for capital assets.

Each of these rules is discussed in detail in a paper entitled "Treasury Proposal for Tax Treatment of Commodities Straddles and Related Transactions."

Finally, let me read briefly from a letter I received last month from my friend Clayton Yeutter. Dr. Yeutter is now president of the Chicago Mercantile Exchange:

> We share Treasury's desires to eliminate indefensible tax avoidance schemes, whether the vehicle be straddles or any other device.

The letter says:

> But we ought not to do so by destroying liquidity in futures markets. . . . I believe we can reach a mutually accommodative legislative conclusion on this issue in 1981 if we all diligently work at it. It is important that we get it done this year because of the litigation that is developing. There is no point in either the IRS or taxpayers spending a lot of money on tax lawyers, and no point in adding this additional load to an overburdened court system, when the solution is clearly a legislative one.

I agree with these sentiments entirely. The point is to get the discussions underway. No one is helped by delay and procrastination.

Mr. President, I ask unanimous consent that the text of the bill and a copy of the "Treasury Proposal for the Tax Treatment of Commodities Straddles and Related Transactions" be printed in the RECORD.

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

S. 626

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

SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the "Commodity Straddles Tax Act of 1981".

(b) AMENDMENTS TO 1954 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section of other provision of the Internal Revenue Code of 1954.

SEC. 2. NONDEDUCTIBILITY OF CERTAIN LOSSES IN CONNECTION WITH OFFSETTING POSITIONS IN PERSONAL PROPERTY.

(a) IN GENERAL.—Part VII of subchapter O of chapter 1 (relating to wash sales of stock or securities) is amended by adding at the end thereof the following new section:

"SEC. 1092. OFFSETTING POSITIONS IN PERSONAL PROPERTY.

"(a) IN GENERAL.—In the case of any offsetting position in personal property—

"(1) that portion of any loss—

"(A) which is incurred in connection with the sale or exchange of any position held as part of such offsetting position, and

"(B) which exceeds any gain recognized in connection with the sale or exchange of any other position held as part of such offsetting position,

shall be treated as incurred as of the close of the balanced period; and

"(2) the holding period (as determined under section 1223) of any position held as part of any offsetting position shall not include any portion of the balanced period with respect to the position.

"(b) OFFSETTING POSITIONS.—For purposes of this section—

"(1) IN GENERAL.—A taxpayer holds an offsetting position in personal property if the taxpayer holds 1 or more positions with respect to personal property which substantially diminishes the taxpayer's risk of loss with respect to 1 or more other positions held with respect to personal property (whether or not of the same kind).

"(2) CERTAIN POSITIONS TREATED AS OFFSETTING.—

"(A) IN GENERAL.—Except as provided in subparagraphs (B) and (C), 2 or more positions shall, for purposes of paragraph (1), be treated as offsetting if such positions include substantially equivalent long and short positions and—

"(i) such positions are in the same commodity (whether or not in the same physical form),

"(ii) the aggregate margin requirement for such positions (determined on the exchange where traded or otherwise) is less than that of the sum of the margin requirements for each such position held separately,

"(iii) such positions are in debt instruments, or

"(iv) such positions are determined, under regulations prescribed by the Secretary, to be offsetting.

"(B) STANDARD DEVIATION.—No position shall be treated as offsetting under subparagraph (A)(iv) unless the standard deviation of the change in price of 1 or more positions held as part of the offsetting position has been at least 5 times the standard deviation of the change in price of the offsetting position taken as a whole during any 2-year period occurring during the immediately preceding 5-year period.

"(C) SATISFACTION OF SECRETARY.—No position shall be treated as offsetting under subparagraph (A) (iii) or (iv) if the taxpayer establishes to the satisfaction of the Secretary that such position is not offsetting.

"(c) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes this section—

"(1) BALANCED PERIOD.—The term 'balanced period' includes, with respect to any position—

"(A) any period during which such position is part of any offsetting position, and

"(B) the 30-day period after the day on which such position (or any successor position) ceases to be offsetting.

"(2) PERSONAL PROPERTY.—The term 'personal property' means—

"(A) commodities,

"(B) evidences of indebtedness, and

"(C) any other type of personal property (other than stock in a corporation).

"(3) POSITION.—The term 'position' means an interest (including a futures contact or option) in personal property. Any personal property acquired by the taxpayer pursuant to a futures contract, option, or other interest shall be treated in the same manner as a position in such personal property.

"(4) LONG POSITION.—The term 'long position' means a position which increases in value when the personal property to which it relates increases in value. Such term includes the holding of personal property, or of a futures contract or option to buy personal property at a fixed price, which so increases in value.

"(5) SHORT POSITION.—The term 'short position' means a position that decreases in value when the personal property to which it relates increases in value. Such term includes the selling of personal property short, or the holding of a futures contract or option to sell personal property at a fixed price which so decreases in value.

"(6) DEBT INSTRUMENT.—The term 'debt instrument' means any interest bearing obligation.

"(7) ATTRIBUTION.—In determining whether any positions are offsetting, the principles of section 318 shall apply, except that—

"(A) in determining constructive ownership in the case of the members of an individual's family, only such individual, such individual's spouse, and a child of such individual who has not attained the age of 18 shall be taken into account.

"(B) constructive ownership from a corporation to a person, or from a person to

a corporation, partnership, trust, or estate, shall be determined only if—

"(i) there is at least an 80-percent interest (determined after the application of the family attribution rules) held by, or in, such person, or

"(ii) in the case of a trust, the trust is a trust to which subpart E of part I of subchapter J applies; and

"(C) in the case of a passthrough entity, constructive ownership shall be determined under paragraph (8).

"(B) TREATMENT OF PASSTHROUGH ENTITIES.—

"(A) IN GENERAL.—In determining whether any positions are offsetting, a person having an ownership interest in any passthrough entity shall be treated as owning a pro rata share of the personal property, or of any position in personal property of such entity equal to the person's pro rata share of the ownership interest.

"(B) PASSTHROUGH ENTITY DEFINED.—For purposes of subparagraph (A), the term 'passthrough entity' means—

"(i) a regulated investment company,

"(ii) a real estate investment trust,

"(iii) an electing small business corporation,

"(iv) a partnership,

"(v) an estate or trust, or

"(vi) a common trust fund.".

(b) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) The table of sections for such part VII is amended by adding at the end thereof the following new item:

"Sec. 1092. Offsetting positions in personal property.".

(2)(A) The heading for such part VII is amended to read as follows:

"PART VII—WASH SALES; OFFSETTING POSITIONS"

(B) The table of parts for subchapter O of chapter 1 is amended by striking out the item relating to part VII and inserting in lieu thereof the following:

"PART VII. WASH SALES; OFFSETTING POSITIONS."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to offsetting positions established after May 5, 1981, in taxable years ending after that date.

SEC. 3. CAPITALIZATION OF CERTAIN CARRYING CHARGES

(a) IN GENERAL.—Part IX of subchapter B of chapter 1 (relating to items not deductible) is amended by adding at the end thereof the following new section:

"SEC. 280E. CERTAIN EXPENDITURES RELATING TO PROPERTY IN AN OFFSETTING POSITION.

"(a) IN GENERAL.—Any amount—

"(1) which would be allowable as a deduction but for the provisions of this section,

"(2) which is allocable to personal property (other than an option or a futures contract) which is part of an offsetting position within the meaning of section (1092 (b)), and

"(3) which is allocable to the balanced period (within the meaning of section 1092 (c)(1)) with respect to such personal property,

shall be charged to capital account.

"(b) CERTAIN AMOUNTS INCLUDED.—For purposes of subsection (a)—

"(1) Interest on indebtedness incurred or continued to purchase or carry personal property, and

"(2) any storage or insurance costs with respect to personal property,

shall be treated as allocable to such personal property.".

(b) CONFORMING AMENDMENT.—The table of section for such part IX is amended by adding at the end thereof the following new item:

"SEC. 280E. Certain expenditures relating to property in an offsetting position.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures made after May 5, 1981, in taxable years ending after that date.

SEC. 4. CERTAIN GOVERNMENT OBLIGATIONS TREATED AS CAPITAL ASSETS

(a) IN GENERAL.—Section 1221 (defining capital asset) is amended—

(1) by inserting "or" at the end of paragraph (4).

(2) by striking out paragraph (5); and

(3) by redesignating paragraph (6) as paragraph (5).

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 341(c)(2) (relating to determining total assets of a collapsible corporation) is amended by striking out "(and governmental obligations described in section 1221(5))".

(2) Subparagraph (D) of section 1231(b)(1) (defining property used in trade or business) is amended by striking out "paragraph (6)" and inserting in lieu thereof "paragraph (5)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after May 5, 1981.

SEC. 5. DEALERS IN SECURITIES.

(a) 30-DAY REQUIREMENT.—Subsection (a) of section 1236 (relating to dealers in securities is amended by striking out "30th" each place it appears.

(b) CLEAR IDENTIFICATION REQUIREMENT.—Section 1236 is amended by adding at the end thereof the following new subsection:

"(d) CLEAR IDENTIFICATION IN CASE OF OFFSETTING POSITIONS.—For purposes of subsection (a), no security which is part of an offsetting position (as defined in section 1092 (b)) shall be treated as clearly identified in the dealer's records as a security held for investment unless all securities which are part of the offsetting position have been identified in accordance with such subsection.".

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to securities acquired after May 5, 1981, in taxable years ending after that date.

SECTION 6. SALE OR EXCHANGE.

(a) IN GENERAL.—Section 7701(a) (relating to definitions) is amended by adding at the end thereof the following new paragraph:

(38) SALE OR EXCHANGE.—The term 'sale or exchange' when used with reference to any capital asset means any disposition of such asset.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to any disposition after May 5, 1981.

TREASURY PROPOSAL FOR TAX TREATMENT OF COMMODITIES STRADDLES AND RELATED TRANSACTIONS

PART A: COMMODITIES STRADDLES

I. Present Law:

Taxpayers are now engaged in a variety of transactions involving commodities in the expectation that they will defer reporting income until some future years and that they will convert short term capital gain (taxable at a maximum 70 percent rate) to long term capital gain (taxable at a maximum 28 percent rate).*

These transactions typically involve a balanced position in commodities: a contract to purchase a given quantity of a commodity in some future month (a "long") and a contract to sell the same quantity of the identical commodity in some other future month (a "short"). The offsetting contracts generally cover the identical commodity (e.g., March silver (silver to be delivered in March) and September silver) but often can involve the same commodity in a physically altered form (e.g., soybeans and soybean meal) or two or more commodities whose price movements are highly correlated (e.g., gold and silver).

The balanced position described above is known as a "straddle." In a straddle, the taxpayer's risk is not measured by a price change in the underlying commodity, but rather is a function of a change in the price relationship between different delivery months. Where the relationship between delivery months is strictly a function of carrying costs, the taxpayer's risk in such a position is minimal.

The ideal commodity in which to place a straddle shows significant price volatility, but produces very little variation in the price spread between delivery months. The taxpayer who enters a straddle in such a commodity waits for the expected price movement in the underlying commodity (either up or down), sells, (or "lifts") the loss leg, and claims the full amount of the loss on that leg for tax purposes. In order to maintain the same minimal risk position, the taxpayer will immediately purchase a position identical to the one just sold (long or short, as the case may be) in the same commodity but in a different delivery month.

For example, a taxpayer, in 1980, could be long July 1981 and short September 1981 silver. If the taxpayer experiences a loss in his July 1981 position which meets his requirements for a 1980 tax loss, he can sell that position and buy January 1982 silver. He is still in a straddle (long January, short September) and can dispose of both legs in the next tax year, yet he will claim a loss in 1980, for tax purposes, attributable to the sale of the July 1981 leg.

The Internal Revenue Service has ruled that a loss in a silver straddle, analogous to the loss attributable to the July 1981 leg in the above example, is not a deductible loss for income tax purposes. The purpose of this transaction was to claim losses, for federal income tax purposes, which far exceeded the expected magnitude of any real economic losses. Moreover, the taxpayer in that ruling had no reasonable expectation of deriving an economic profit from the transaction. The Service has applied a similar analysis in the case of losses claimed with respect to straddles placed in other commodities. See e.g., Rev. Rul. 78-414, 1978-2 C.B. 213 (the conclusion in Rev. Rul. 77-185 is equally applicable to a "spread," or straddle, in futures contracts covering Treasury bills).

II. Reasons for Change:

In these transactions, the taxpayer recognizes approximately equal amounts of gain and loss. The object of the transaction, however, is to recognize the loss currently, in order to offset it against other income, and to postpone the recognition of the related gain until a later year. There is no impediment to achieving an indefinite deferral of a gain through the use of a series of transactions each year. Such a result is unconscionable. The magnitude of the tax loss claimed in the first year substantially exceeds the economic risk inherent to the straddle position.

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*For purposes of illustrating the transactions which may be undertaken by taxpayers (in Part A and the other Parts), it is assumed that these taxpayers will successfully maintain that they are entitled to the benefits claimed. The Internal Revenue Service has begun to litigate these issues in the courts. This litigation is proceeding on the basis of several theories any one of which, if successful, would deny the taxpayers the favorable tax consequences they claim. Because of the length of time that it will take to achieve a judicial resolution of these issues to a degree which will prevent taxpayers from claiming the benefits on their returns, this legislative solution is being pursued.

Assume, for example, the taxpayer A had a $500,000 short term capital gain from real estate in 1978 and that A is subject to tax at a 70 percent rate. A's tax on this amount would have been $350,000 (70 percent of $500,000). A, however, entered into the following transaction to defer the payment of the tax.

Date, and transaction:

October 31, 1978, buy: 200 contracts (5,000 ounces per contract) for Mar. 80 silver at $6.9020 per ounce. Sell: 200 contracts (5,000 ounces per contract) for Jan. 80 silver at $6.8060 per ounce.

The above transaction will be executed as a "straddle," that is, the taxpayer will purchase a Mar. 80—Jan. 80 straddle at $.0960 per ounce ($6.9020–6.8060). The stated price for the straddle represents the spread between contract months. Because the taxpayer's risk in a straddle is a function of a narrowing (or widening) of this spread, rather than a move in the underlying silver price, the margin required for this position is minimal. (In fact, at times in the past certain exchanges did not require that any margin be posted for a silver straddle.) By November 9, the price of the March 80 silver contract is $6.3870 per ounce. At that time, the taxpayer will enter into the following transaction:

Date, and transaction:

November 9, 1978, buy: 200 contracts for May 80 silver at $6.4850 per ounce. Sell: 200 contracts for Mar. 80 silver at $6.3870 per ounce (closing A's position in Mar. 80 silver).

January 2, 1979, buy: 200 contracts for Jan. 80 silver at $6.4950 per ounce (closing A's position in January 1980 silver acquired on October 31, 1978). Sell: 200 contracts for May 80 silver at $6.4850 per ounce (closing A's position in May 1980 silver acquired on October 9, 1978).

The taxpayer in the above transaction will report a loss of $.5150 per ounce upon closing the long position in the Mar. 80 silver contract. Because A sold 200 contracts, at 5,000 ounces each, A will claim an aggregate short-term capital loss of $515,000 upon liquidating the loss leg and use it to offset the real estate gain in 1978. At the same time, however, A has an unrealized gain of $.5180 per ounce on the other half of the straddle, the Jan. 80 position, amounting to $518,000 in total.

Thus, at the time that A claims a short term capital loss of $515,000 in 1978, A's aggregate economic gain from the transaction is $3,000, before commissions (loss of $515,000, unrealized gain of $518,000).

Shortly after the beginning of the next taxable year, A closed out his balance position in silver. A will realize a short term capital gain upon lifting the Jan. 80 position equal to $311,000 and another short term capital gain on the opposite side (May 80 silver) of the balanced position, established on November 9, 1978, of $201,000. A's total gain in 1979 is $512,000. As the example illustrates, A has protected the unrealized gain on November 7 by entering into a new balanced position.

Although a price movement after November 9 eroded some part of the unrealized gain in the Jan. 80 leg, it produced a corresponding unrealized gain in the May 80 leg.

Taxpayer A used the straddle transaction simply to defer, or "roll over" a $500,000 gain from 1978 to 1979. The benefit to A from the deferral can be viewed as a tax free loan from the government in an amount equal to the tax that would otherwise be due.

If A were to invest the amount of the deferred taxes (approximately $350,000) in tax exempt bonds yielding 7 percent, the benefit of the one year deferral to A would be approximately $25,000. A's real economic loss from this transaction was only $3,000 (loss in 1978, $515,000; aggregate gain in 1979, $512,000 ($201,000+$311,000)) plus commissions.

In addition to deferring taxes, the straddle can be used to convert short term capital gain into long term capital gain. In order to accomplish this, the leg of the straddle containing the unrealized gain must be the long leg. A short position (i.e., a contract requiring the holder to make delivery) will always produce short term capital gain or loss. If an appreciated long position is held for six months and thereafter sold at a gain, however, the resulting gain will be long term.

Having a net short term capital gain of $500,000 from a securities transaction in 1978, B enters into the following transactions in 1978 and 1979:

Date and transaction:

October 20, 1978, buy: 200 contracts for Mar. 80 silver at $6.5430 per ounce. Sell: 200 contracts for Jan. 80 silver at $6.4490 per ounce.

October 30, 1978, buy: 200 contracts for Jan. 80 silver at $6.9620 per ounce (closing out B's Jan. 80 position). Sell: 200 contracts for May 80 silver at $7.1570 per ounce.

April 23, 1979, sell: 200 contracts for Mar. 80 silver at $7.9690 per ounce (closing out B's position in March 1980 silver acquired October 20, 1978). Buy: 200 contracts for May 80 silver at $8.0670 (closing out B's position in May 80 silver acquired October 30, 1979).

As a consequence of the above transactions, B will report a $513,000 short term capital loss for 1978, attributable to closing his position in Jan. 80 silver at a loss of $.5130 per ounce on October 30, 1978.

B, of course, has a corresponding gain ($516,000) of approximately the same amount in the Mar. 80 position.

B protected this gain by replacing the Jan. 80 short with a May 80 short on October 30, 1978. B will report a long term gain in the following taxable year on closing the Mar. 80 contracts held from October 20, 1978 to April 23, 1979, in the amount of $1,426,000.

B will also report a short term capital loss from closing the May 80 position of $.9100 per ounce, or $910,000. B's net gain from the April 23rd closing transactions is $516,000, which is almost the same as the loss in the previous year ($513,000).

Overall, B recognized a $3,000 economic gain from all of these straddles (gain of $1,426,000—losses of $513,000 and $910,000). B will have succeeded, however, not only in deferring taxes on approximately $500,000 of short term gain, but also in converting all of the short term capital gain, attributable to the securities transaction, to a long term capital gain. B's tax savings attributable to the conversion alone (assuming B is taxed at a 70-percent rate in all years) is approximately $201,000.

This procedure is not confined to trading in silver or other precious metals. Commodities with the greatest potential for accomodating a short term—long term conversion are those which are volatile enough to produce a significant move in the value of a contract during a reasonably short period, which have spreads which closely reflect full carrying charges, with respect to which there is an expectation that the underlying price will move up over the next few months, and in which the futures market is liquid enough to produce good executions when needed.

III. Explanation of the Proposal:

A. Nonrecognition of the loss: Under the proposal, a taxpayer would not be permitted to recognize a loss, in excess of gains recognized as part of the same transaction, from a "balanced position" unless the taxpayer stayed out of the balanced position for at least 30 days. If the taxpayer remained unbalanced for the 30 day period, the loss would be treated as sustained, for tax purposes, on the first day following the close of the 30 day period.

This rule would apply in the case of balanced positions in property. For these purposes, the term property would include commodities, debt instruments, currency, futures contracts on commodities, currency or debt instruments, and forward contracts, but not stock.

The term balance position would mean any position in property with respect to which a taxpayer's risk of loss is substantially diminished by reason of holding two or more positions in property. A conclusive presumption would apply to:

(1) Positions in the same commodity, whether in the physical commodity or a futures contract.

(2) Positions with respect to the same commodity, but in a substantially altered form (e.g., silver and silver coins; soybeans and soybean meal).

(3) Positions in commodities with respect to which the margin, required by any exchange on which the commodity is traded (or otherwise), for entering into the balanced position, is less than the aggregate margin required for each of the positions held separately.

(4) All positions in debt instruments and futures contracts for debt instruments.

(5) All such positions as the Secretary may, by regulation, prescribe. In order to constitute a balanced position under this paragraph, the standard deviation of the change in price of part of the same or a similar balanced position must have been at least 5 times the standard deviation of the change in the price of the balanced position (or a similar balanced position) over any two year portion of the immediately preceding 5 year period.

The conclusive presumptions in (4) and (5) will not apply in those cases where the taxpayer can establish to the satisfaction of the Secretary that the positions are not offsetting.

B. Holding Period: Whenever a taxpayer is in a balanced position, the holding period for any property that is part of the balanced position will be suspended for the period that the position is considered balanced under the bill. Accordingly, a balanced position may no longer be used as a vehicle for converting short-term capital gain into long-term capital gain.

IV. Effective date:

For all transactions in "property" entered into after December 31, 1980.

PART B: CASH AND CARRY TRANSACTIONS

I. Current Law:

At present, taxpayers have been converting ordinary income (taxable at a maximum 70 percent rate) into long-term capital gain (taxable at a maximum 28 percent rate) by entering into transactions following the format described below:

Facts: A, an individual, would like to defer and convert approximately $11,500 of ordinary income:

Date and transaction:

May 1, 1980, buy: 5,000 ounces of silver at $20.00 per ounce. Sell: One, 5,000 ounces, contract for July 81 silver at $22.50 per ounce.

During the period May 1, 1980 to July 1, 1981, storage costs for the silver are estimated at $400, insurance at $100, and interest on the indebtedness incurred to finance the purchase, $12,000 (an annual rate of approximately 10.285 percent). The spread between the May 1, 1980 spot price for the silver and the July 81 futures price ($2.50/ounce) is a function of these three carrying costs.[1]

[1] The spread normally will not increase above the carrying costs, for if it did, investors would purchase the spot commodity and sell the futures contract. The spot could then be held and delivered against the futures contract, and an economic profit realized. Arbitrageurs will enter the market to maintain the equilibrium relationship between the spread and the carrying charges. See T. A. Hieronymous, *Economics of Futures Trading* 156 (2d ed. 1977).

From May 1, 1980 to June 1, 1981, T will pay and claim a current deduction for $11,600 of expenses attributable to interest, storage and insurance.

On June 1, 1981, T will enter into the following transactions to close out this spread position:

Date, transaction, and gain (loss): June 1, 1981, sell: 5,000 ounces of silver at $26.32 per ounce, $31,600.

June 1, 1981, buy: One July 81 silver contract at $26.50 per ounce, ($20,000). Net gain from June 1, transactions, $11,600.

In such transactions, the taxpayer will claim that the cost of storage and insurance, as well as the interest, constitute current deductions. On the other hand, the short sale rules of section 1233 may not technically apply (the spot silver and the July 81 silver futures are not "substantially identical"), so that the gain on the sale of the physical silver is reported as a long term capital gain. Thus, the cash and carry transaction gives taxpayers the opportunity to obtain both deferral and conversion, at a minimal economic risk. By selling the futures, the taxpayer has eliminated risk attributable to price moves in the underlying commodity. Even if silver prices were to decline substantially, the taxpayer could always deliver the silver to close out the futures contract, thereby realizing a "locked-in" gain.

II. Reasons for Change:

The taxpayer in the case described above has assured himself of being compensated for the market rate of interest at the time the spread is entered into, plus storage and insurance for carrying the commodities to the delivery date. Although the taxpayer bears the risk that these costs will increase so dramatically as to produce a loss, such an increase would have to be quite spectacular to produce an after tax loss after taking into account the claimed tax effects of the transaction. In addition, the taxpayer may be able to "lock-in" the cost of the borrowings, generally the major cost in these transactions, so as to substantially eliminate any risk that the carrying charges will rise dramatically.

Assume that, on May 3, 1980, the interest cost to A in the transaction described above rose from 10.25 percent to 15 percent and remained at 15 percent until July 1, 1981, at which time A delivered the silver against his obligation under the July 81 contract. Assume further that A's income is taxed at a 50 percent rate. Under the facts, A will pay interest at 15 percent on $100,000 for 14 months ($17,500) plus storage and insurance of $500, for a total of $18,000. A will claim all of this amount as a deduction against ordinary income, so that A's after tax cost of carrying the silver is $9,000. A will recognize a $12,500 gain when the silver is delivered against A's July 81 short position, the tax payable with respect to this gain will be $2,500 (20 percent x $12,500), and A's net proceeds will be $110,000. The result of this transaction is: net amount realized, $110,000 ($112,500–$2,500); net cost $109,000 ($100,000 plus $9,000). Thus, after tax A will realize a $1,000 gain although, pre-tax, A would report a $5,500 loss.

The critical point to be made is that, by entering into the futures contract, A has assured himself of at least $12,500 as compensation for the cost of carrying the silver. Even if the spot market for silver collapsed and interest rates rose dramatically A could always deliver the physical silver to liquidate his futures position at a "locked in" gain.

III. Explanation of the Proposal:

Under the proposal, carrying costs (such as storage and insurance) and interest on indebtedness incurred or continued to purchase or carry any commodity, for any period during which the commodity is part of a balanced position, must be capitalized and added to the basis of the physical commodity.

As applied to taxpayer A in the original transaction, this proposal would require A to capitalize, and add to the basis of the silver, all of his $11,600 of carrying costs. As a result, A would be denied a current deduction for the $11,600 of costs attributable to carrying the silver from May 1, 1980 to June 1, 1981. Further, when the silver was sold on June 1, 1980, A would realize only a $20,000 gain (basis=$111,600; amount realized=$131,600). Under the modification contained in Part A, this gain would be a short term capital gain. This gain would be offset by the $20,000 short term capital loss generated as part of the same transaction.

IV. Effective Date:

The rules requiring that the interest and carrying charges be capitalized, as outlined above, would apply to amounts paid or accrued after December 31, 1980.

PART C: THE TAX TREATMENT OF TREASURY BILLS AND TREASURY BILL FUTURES CONTRACTS

I. Current Law:

Under current law, Treasury bills and other government obligations issued at a discount, and with a fixed maturity not exceeding one year, are expressly excluded from the definition of a "capital asset" by section 1221(5). Thus, all gains and losses on the sale or exchange of a Treasury bill are taxable as ordinary income or loss. It is unnecessary to segregate the portion of the original issue discount accrued during the time the obligation is held from the gain or loss realized on the sale or other disposition of the obligation. Treas. Reg. section 1.1221-1(e). Further, no part of the discount at which that obligation was originally sold accrues as income until the date on which it is paid at maturity, sold, or otherwise disposed of. Section 454(b).

II. Reasons for Change:

In Rev. Rul. 78-414, 1978-2 C.B. 213, the Internal Revenue Service ruled that a commodity futures contract for the delivery of a Treasury bill, not acquired as a legitimate "hedge" or for sale to customers in the ordinary course of business, was a capital asset. Accordingly, gain or loss recognized on its sale or exchange constitutes capital gain or loss. Thus, commodity futures contracts for Treasury bills can not be used to "roll-over" (i.e., defer) amounts of ordinary income by taxpayers using the typical trading strategy outlined in Part A. Instead, which involves taking or making physical delivery of the Treasury bill, taxpayers have used Treasury bill futures contracts in an attempt both to defer amounts of ordinary income and to convert that income to short term or long-term capital gain. One form of this trading strategy is outlined below.

Assume that A enters into a Treasury bill futures straddle as follows:

Date and transaction:

October 31, 1980, buy: 1 contract for delivery of a Treasury bill ($1,000,000 face amount, 90 day bill) in December 1980 at 87.17. Sell: 1 contract for delivery of a Treasury bill in January 1981 at 87.48.

On December 17 (the last trading day for the December contract), the price of the December 80 Treasury bill futures contract opened at 83.39 and the price of the January 81 T bill futures contract opened at 83.98. On December 18, the taxpayer enters into the following transactions:

Date and transaction:

December 18, 1980, buy: 1 contract for delivery of a Treasury bill in January 1981 at 84.28 (closing out the January 81 short position).

Futures settlement: (1) accepts delivery of $1,000,000 face amount, 91 day Treasury bill, and completes a total payment of $967,466.39, according to the terms of the futures contract.

(2) sells the $1,000,000 face amount, 91 day Treasury bill, on the market at $959,151.11.

The taxpayer will claim an ordinary loss of $8,315.28 on the December 18, 1980 sale of the Treasury bill. The taxpayer also has a gain from closing the March 81 Treasury futures position of $8,000 ($25 per basis point). This gain will be reported as short term capital gain.

The taxpayer can engage in some other straddle, such as a silver straddle, to defer the recognition of the short term capital gain attributable to closing out the March 81 futures position to a later taxable year and possibly to convert it to a long term gain. In addition, the taxpayer may be able to utilize capital loss carryovers that otherwise could not be used to offset ordinary income to offset the capital gain.

III. Explanation of the Proposal:

Under the proposal, Treasury bills would no longer be excluded from the definition of a "capital asset" and section 1221(5) would be repealed. The rule of section 454(b), that recognition of the discount earned for the period the obligation is held is deferred until the security is sold, redeemed or otherwise disposed of, would be retained. Gain or loss from the sale or exchange of a Treasury bill, or any other asset now described in section 1221(5), would be capital gain or loss, provided that the security was a capital asset in the hands of the taxpayer.

Notwithstanding the repeal of section 1221(5), a person who sold, exchanged, redeemed or otherwise disposed of a Treasury bill would be required to take into account, as interest, that part of the discount on the bill which accrued during the period such person held the bill. This result follows from a substantial body of case law which, in the absence of section 1221(5), requires a taxpayer to include in income, as interest, the earned portion of original issue discount.

IV. Effective Date:

The repeal of section 1221(5) would apply to all securities issued after December 31, 1980.

PART D: IDENTIFICATION AND SEGREGATION OF ASSETS HELD FOR INVESTMENT BY DEALERS IN SECURITIES

I. Current Law:

Under current law, gains and losses from property held primarily for sale to customers in the ordinary course of business are taxed as ordinary income or loss. Gains and losses from property held for investment, however, are taxed as capital gains and losses. The gains and losses of a person from the sale of property of a type held by that person primarily for sale are generally ordinary. Notwithstanding that stock or securities constitute property of a type held primarily for sale to customers, dealers in securities can follow special rules which permit them to identify and segregate certain of their assets as held for "investment." Gains and losses from these assets may be taxable as gains and losses from the sale of a capital asset.

These rules provide that:

(1) gain from the sale or exchange of a security is not treated as gain from the sale or exchange of a capital asset unless the security was "clearly identified" on the dealer's records as held for investment within 30 days following the date of acquisition and was not, at any time following the expiration of that 30 day period, held by such dealer primarily for sale to customers in the ordinary course of business;

(2) a loss from the sale or exchange of securities held by a dealer is, generally, not an ordinary loss if, at any time, the security was "clearly identified" as a security held for investment.

For these purposes, the term "security" means any share of stock in any corporation, any certificate of stock or interest in any

corporation, any note, bond, debenture, or other evidence of indebtedness, or any evidence of an interest in, or right to subscribe to or purchase, any of the foregoing. The term "dealer in securities" is defined as a "merchant of securities, whether an individual, partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers; that is, one who as a merchant buys securities and sells them to customers with a view of the gain and profits that may be derived therefrom." Treas. Reg. § 1.471-5.

II. Reasons for Change:

Partnerships are being organized, and interests in such partnerships sold to investors, which are designed to operate as "broker-dealers" and "market makers" with regard to a wide range of securities. It is claimed that these investments provide ordinary losses equal to some multiple of the taxpayers' cash investment (*e.g.*, 4:1), with income recognition, often at some later date, at long term capital gains rates. These broker dealer partnerships claim such losses and gains, in part, by taking a balanced position in securities, waiting for a price movement to produce a loss on one side and a gain on the other, and then identifying the loss side as inventory and the gain side as investment. Although futures contracts on commodities and financial instruments are not within the definition of a "security" for purposes of section 1236 (see section 1236(c)), it appears that taxpayers are claiming similar tax treatment on these gains and losses by analogy to section 1236. These particular gains and losses are derived from transactions with respect to which there is, at most, a minimal economic risk.

From an information processing and recordkeeping point of view, the 30 day identification period of current law is no longer needed. Most, if not all designations, can be made and recorded instantaneously.

III. Explanation of the Proposal:

Under the proposal, the 30 day period within which securities must be identified, for purposes of the special treatment provided in section 1236, would be shortened. In order for the gain from the sale or exchange of a security to qualify as capital gain, such security must have been identified as held for investment by the close of the day following its date of acquisition. The requirement that the security not be held for sale to customers at any time following the close of the identification period would be retained, as well as the rule regarding the treatment of securities sold at a loss.

In addition, section 1236 would be amended to provide explicitly that a security constituting part of a balanced position will receive the unfavorable treatment mandated by section 1236 (i.e., capital loss and ordinary income), unless all securities that are a part of the balanced position are identified as investment securities on the dealer's records under the rules of this section. This amendment simply clarifies the treatment of such securities under current law.

IV. Effective Date:

The new one day identification rule would apply with respect to securities acquired after December 31, 1980.

PART E: SALE OR EXCHANGE REQUIREMENT

I. Present Law:

Straddle transactions are particularly troublesome when they can convert ordinary income into capital gain as well as deferring the income to a later year. Besides using the transactions in Treasury obligations, discussed above in Part C, some tax shelter promoters are relying on the need for an actual "sale or exchange" in order to obtain capital treatment on the disposition of a capital asset.

Although a taxpayer must normally recognize gain or loss whenever there has been a "sale or other disposition of property," section 1001(a), the definitions of capital gains and losses in section 1222 depend on there being a "sale or exchange" of a capital asset. The courts have interpreted this requirement in a way that allows certain assets to be disposed of in a manner that is not considered a "sale or exchange," thus yielding ordinary income or loss on such dispositions. This result has been reached despite the fact that the cancellation was economically equivalent to a sale or exchange of the contract.

II. Reasons for Change:

Because certain contracts may be viewed as having the potential to produce gain or loss that is either capital (when they are sold or exchanged) or ordinary (when they are cancelled or otherwise disposed of), certain balanced positions are claimed to afford taxpayers the potential for creating capital gain or ordinary loss, thus effectively converting any income, including ordinary investment and salary income, into capital gain.

Assume, for example, that taxpayer A had $250,000 of salary and $250,000 of long-term capital loss from an investment in stock. Under normal tax rules, A cannot offset the ordinary income and the capital loss. Thus, A would normally be required to pay tax on the $250,000 of salary income, and would be allowed an offset for only a small part of the long-term capital loss. A, however, enters into the following transaction to allow the ordinary income and capital loss to be offset in the same year.

Date, transaction, and value:

October 13, 1980: Enters into a contract $2,822,500 ("Forward contract") to purchase 5,000,000 German marks at $.56450 per mark in March, 1981. Enters into a contract $2,850,500 ("Forward contract") to sell 5,000,000 German marks at $.57010 per mark in June, 1981.

The above transaction involves very little risk to A. By December 17, 1980, the price of March 1981 marks is $.5112 and the price of June 1981 marks is $.5188. A enters into the following transaction:

Date and transaction:

December 17, 1980: Assigns the contract right to sell 5,000,000 German marks at $.57010 per mark to the M Bank for $256,500. Cancels the contract to purchase 5,000,000 German marks at $.56450 per mark upon payment of $266,500 to the other party to the contract.

The taxpayer in the above transaction will report an ordinary loss on the contract that was cancelled. This loss will equal the amount paid on cancellation. The taxpayer will report a net short-term capital gain on the contract to sell marks that was assigned to M Bank on December 17. Thus, the transaction as a whole has been used to convert the $250,000 of ordinary income to a short term capital gain that can be netted against the taxpayer's long term capital loss.

III. Explanation of the Proposal:

The requirement that there be a "sale or exchange" in order to obtain capital gain or loss on the disposition of a capital asset would be eliminated.

IV. Effective Date:

For all sales or other dispositions of property occurring after December 31, 1980.

By Mr. SASSER (for himself, Mr. RANDOLPH, Mr. ROBERT C. BYRD, and Mr. BAUCUS):

S. 630. A bill to revise loan guarantee provisions of the Airline Deregulation Act of 1978, and for other purposes; to the Committee on Commerce, Science, and Transportation.

AIRLINE DEREGULATION ACT AMENDMENTS OF 1981

● Mr. SASSER. Mr. President, I rise today to introduce legislation that would amend the Airline Deregulation Act of 1978. I am pleased to have my two distinguished colleagues from West Virginia, Senator RANDOLPH and Senator BYRD, and the distinguished Senator from Montana, Senator BAUCUS, join me today in introducing S. 630. The purpose of this bill is not to reintroduce regulation to the airline industry. Rather, it is an attempt to improve the quality of service to small and medium sized cities that have lost a significant amount of air service since implementation of the 1978 deregulation law.

In many areas, deregulation has worked well. In others it has not. I do not believe that the lack of success in some areas is because deregulation is a bad idea; I believe it is because of technical problems of deregulation in the airline industry.

One of the facts of life in the airline industry is that a large aircraft is not used most efficiently on short runs between smaller cities. The greatest amount of fuel on any flight is used during takeoff and landing, therefore the longer a plane is at cruising altitude and speed the less fuel is consumed. For this reason, airlines that once served smaller cities and shorter routes have chosen to use their equipment elsewhere.

While commuter airlines have filled some of the gap in service to these areas, they are not always able to meet the demands of the market. Unfortunately, domestic airlines do not have in service enough medium sized planes to service medium sized markets adequately.

Section 2(c) of this bill is directed toward encouraging the purchase of medium-sized planes. The Federal Government currently has a program administered by the Department of Transportation that guarantees loans for the purchase of new aircraft and parts. The bill would direct the Secretary of Transportation to give priority to loan guarantee applications for the purchase of medium-sized aircraft with passenger capacity for between 19 and 56 passengers. This would cover the bulk of the medium-sized aircraft now available. I might point out that these loan guarantees are very safe loans. No airline has ever defaulted on such a loan.

In addition, authorization for the loan guarantee program is extended until 1990. Under present law, the program expires in 1982.

Section 2(b) of this bill provides for continued oversight of fares after that duty is relinquished by the Civil Aeronautics Board. Current law allows airlines great flexibility in setting fares. That leeway would continue, but rather than having no oversight of fares after January 1983, the Secretary of Transportation would be delegated the authority currently held by the CAB. The purpose of this section is to insure that passengers on routes served by only one carrier will not be subject to monopoly pricing.

It is evident that since the inception of airline deregulation air carriers have made the decision to subsidize low fares on highly competitive routes with high fares on routes with little if any competition. Those of us who fly frequently on low competition routes are well aware that ticket prices have risen more sharply on these routes than on other routes.

Indeed, I recently did some computations on relative air fares and found that while it cost only about 6 cents a mile to fly from New York to Los Angeles, it now costs about 22 cents a mile to fly from Knoxville to Washington. Certainly, I expected a fare differential in these trips, but the nearly 4-to-1 differential amply shows the degree to which airline fares have escalated in our medium-sized markets as a result of deregulation.

I do not believe that we should return to the time when airline rates were dictated by Government policy. I believe that present pricing flexibility depending mostly on market place influences is healthy. I do not necessarily agree with present corporate pricing strategies, but those decisions are rightly left to the airlines. I do, however, feel that there must be some guarantee that those who must fly low competition routes will not be subject to unreasonable monopolistic pricing.

Finally, section 2(e) of this bill increases the amount of time airport operators have to find replacement service when an air carrier discontinues service between city pairs where they are served by only one carrier. Air carriers are currently required to give 90 days notice. Under the provisions of this bill, air carriers would be required to give 180 days notice. In my discussions with airport operators, I have become convinced that 90 days is just not enough time to find new service. I believe that 180 days is a more reasonable amount of time for the operators and cities to find replacement service that is often essential to a city.

Mr. President, like most Senators I am hesitant to endorse any effort that would increase the amount of Government regulation of the private sector. The people of this country clearly do not want us to take that direction. This bill carefully avoids reregulation of the airline industry.

There are many whose experiences with an unregulated airline industry have led them to call for substantial reregulation. I agree that there are some problems that have resulted from quick changes in industry, primarily changes in the regulatory atmosphere. This bill is an attempt to rectify those problems with regulation. The three steps taken by this bill are needed to prove that deregulation can work for all sectors of the commercial flying community.

I am confident that S. 630 is a good vehicle for promoting congressional discussion about the status of the Airline Deregulation Act. And it is my hope that as the Commerce Committee reviews S. 630 they will take the opportunity to let interested parties come to the fore and provide the Commerce Committee with their assessments of their experience with the Airline Deregulation Act.

Senators PACKWOOD and CANNON are to be commended for their substantial efforts in deregulating the airline industry. They helped shepherd landmark deregulation legislation through the Senate and the House in 1978. The law has worked well, but like any law it should be assessed from time to time as it is implemented. It is my hope that S. 630 will contribute to the assessment of the many features of the Airline Deregulation Act of 1978.

Mr. President, I ask unanimous consent that the full text of S. 630 be printed in the RECORD.

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

S. 630

Be it enacted by the Senate and House of Repersentatives of the United States of America in Congress assembled, That this Act may be cited as the "Airline Deregulation Act Amendments of 1981".

SEC. 2. (a) Section 1601(a)(2)(B) and (D) of the Federal Aviation Act of 1958 is repealed.

(b)(1) Section 1601(b) of such Act is amended by adding the following new paragraphs at the end thereof:

"(3) The authority of the Board under section 1002(d)(1) and (d)(2), (e), (g), (h), and (i) of this Act is transferred to the Secretary of the Department of Transportation effective January 1, 1983.

"(4) The authority of the Board under section 401(j) of this Act is transferred to the Secretary of the Department of Transportation effective December 31, 1981.".

(c) Section 3 of such Act is amended by adding the following at the end thereof: "In considering applications for loan guarantees, the Secretary shall give priority to those qualified applicants who apply for such guarantees for the purpose of purchasing aircraft with seating capacity for 25 to 55 passengers inclusive, and equipment for such planes. No less than two-thirds of the total amount of loans guaranteed for the purchase of aircraft shall be for the purchase of such limited seating planes.".

(d) Section 8 of such Act is amended to read as follows:

"SEC. 8. The authority of the Secretary under section 3 of this Act shall terminate 12 years after the date of enactment of the Airline Deregulation Act Amendments of 1981.".

(e)(1) Section 401(j)(1) of such Act is amended by striking out "90 days" and substituting "180 days".

(2) Section 401(j)(2) of such Act is amended by striking out "sixty" and substituting "180".●

By Mr. DECONCINI (for himself, Mr. MATSUNAGA, Mr. HEINZ, Mr. FORD, and Mr. INOUYE).

S. 631. A bill to dismiss certain cases pending before the Education Appeal Board; to the Committee on Labor and Human Resources.

DISMISSAL OF CASES PENDING BEFORE EDUCATION APPEAL BOARD

● Mr. DECONCINI. Mr. President, Senators MATSUNAGA, HEINZ, FORD, INOUYE, and I are introducing proposed legislation that would dismiss certain cases pending before the Education Appeal Board. Upon enactment this bill would "dismiss all actions seeking repayment of funds provided to State or local agencies under title I of the Elementary and Secondary Education Act of 1965." In order for the repayment of funds to be dismissed the Department of Education's audit of the State or local agency must have been conducted prior to enactment of the Education Amendments of 1978.

Approximately 19 States have appeals pending before the Education Appeal Board, in the Department of Education. Of these 19 States, approximately 16 would receive relief from this proposal.

There are several persuasive reasons for dismissing these audit proceedings. The most compelling reason, in my judgment, is that children in school today would in effect be paying for educational programs that were provided to children years ago. For if school districts ultimately have to repay funds to the Federal Government reductions in existing programs would be required.

The audit experience of State and local officials in Arizona is an example of the bureaucracy functioning in its least effective manner. Arizona's title I programs were audited by the Federal Government in the spring of 1970. The audit covered the period between August 10, 1965 and August 31, 1969. The audit report was made available in August 1970, but a formal hearing has yet to be scheduled. In 1973, Arizona first requested a hearing before the audit hearing board, which was responsible for considering such appeals. Four years later, the Office of Education, claiming that the State had never requested a hearing, directed the State to do so and also demanded a detailed response to the audit report. A response was submitted, along with a request for information needed to provide a factual basis for certain charges contained in the report. Additional requests for information were made by the State, but it did not receive a copy of the auditors' work papers until June of last year.

Because of this bureaucratic bungling Arizona is placed in the position of disproving allegations concerning events that occurred 11 to 15 years ago. This situation is simply untenable because over the years records have been destroyed, witnesses have died or become unavailable, making it impossible in some cases to provide documentation for what actually happened.

The Education Amendments of 1978 established the Education Appeal Board. The purpose of the Board is to conduct audit appeal hearings, withholding hearings, and cease and desist hearings. The statute also requires certain procedures to be used during the appeals process. The Board and procedures were not legislatively authorized prior to enactment of the 1978 amendments. Perhaps Arizona would have been saved from bureaucratic procrastination had these provisions been in effect earlier.

Not only have the procedures used for the Arizona audit been faulty, but the audit itself is of questionable validity. An affidavit from Cornelius Tierney, a partner in Arthur Young & Co. located in Washington, D.C., severely criticizes the auditing methods and some of the conclusions reached by the Federal auditors.

The resources being used by States and local school districts, combined with those being used by the Government to pursue these appeals, when aggregated may equal or exceed the funds in dispute. Thus, it seems prudent for the Government to dismiss those cases where audits occurred before 1978 and expend its resources for investigating more recent matters.

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

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

S. 631

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Education Appeal Board (established by section 451 of the General Education Provisions Act as amended by the Education Amendments of 1978) shall dismiss all actions seeking the repayment of funds provided to State or local agencies under title I of the Elementary and Secondary Education Act of 1965 which are based on an audit or audits conducted prior to the date of enactment of the Education Amendments of 1978.●

By Mr. McCLURE (for himself, Mr. SYMMS, Mr. WALLOP, and Mr. SIMPSON):

S. 634. A bill to authorize the exchange of certain lands in Idaho and Wyoming; to the Committee on Energy and Natural Resources.

EXCHANGE OF LANDS IN IDAHO AND WYOMING

● Mr. McCLURE. Mr. President, today I am introducing legislation to provide for a land exchange between Richard Hendricks of Preston, Idaho, and the Secretary of Agriculture. Under the Federal Land Policy Management Act of 1976, the Secretary of Agriculture has the authority to exchange lands if the exchange occurs within the same State. In this instance, the land exchange proposed involves the States of Idaho and Wyoming.

In the State of Idaho, Mr. Hendricks of Preston owns 5.9 acres and improvements consisting of a warehouse with office space and restroom facilities. The U.S. Forest Service is currently leasing this site for a YACC facility and acquisition of this site through a land exchange would be an effective means of meeting U.S. Forest Service needs. In exchange for Mr. Hendricks' land and improvements, the U.S. Forest Service would convey approximately 81.78 acres of national forest land in Lincoln County, Wyo.

This proposed land exchange has been under consideration for some time now and has involved the work of people on both the local level and Washington, D.C. level. During the closing days of the 96th Congress an official position by the Department of Agriculture-U.S. Forest Service was not obtained because of time constraints. However, there appears to be no opposition and I would therefore anticipate a favorable report from the Department as well as timely consideration and action by the Congress.

Mr. President, I ask unanimous consent that the text of the legislation I am introducing be printed in the RECORD.

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

S. 634

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding any other provision of law, the Secretary of Agriculture (hereinafter referred to as the "Secretary") is hereby authorized to exchange the parcel of land described in Sec. 2 ("Parcel A") currently owned by the United States, for the parcel of land described in Sec. 3 ("Parcel B") and any improvements thereon, currently owned by Richard Hendricks of Preston, Idaho. Such exchange shall be made without additional consideration and in lieu of receiving monetary payment.

SEC. 2. For the purposes of this Act, Parcel A shall consist of the following described tract of land consisting of approximately 81.78 acres: T. 33 N., R. 119 W., 6th P.M., Lincoln County, Wyoming, sec. 14, SE¼ NW¼ and SW¼ NE¼, containing approximately 80 acres, and T. 35 N., R. 119 W., 6th P.M., Lincoln County, Wyoming, sec. 28, beginning at the southwest corner of lot 2, thence north 15 rods, thence east 19 rods, thence south 15 rods, thence west 19 rods to the point of beginning.

SEC. 3. For the purpose of this Act, Parcel B shall consist of the following described tract of land, consisting of approximately 5.9 acres: That portion of the SE¼SW¼ of section 8, T. 9 S., R. 42 E., Boise Meridian, Caribou County, Idaho, beginning at the southeast corner of the SE¼SW¼ of Section 8, thence west 376 feet, more or less, to an intersection with the easterly right-of-way of the Oregon Shortline Railroad, thence N. 7 10′ F., 131 feet to a point of spiral; thence northerly along a curve to the left, the said centerline of main track has a spiral angle of 3 30′ with 6 x 38 foot chords, a distance of 232 feet to a point of spiral curve; thence along a curve to the left with a radius of 2010.1 feet a distance of 520 feet; thence S. 87 22′ E. a distance of 269 feet, thence north 428 feet, more or less; thence east 30 feet; thence south along the east line of said SE¼SW¼ 1,320 feet, more or less, to the point of beginning.

SEC. 4. Upon the conveyance of Parcel B and any improvements thereon from Richard Hendricks by warranty deed to the United States acting through the Secretary, the Secretary is authorized and directed to convey by quitclaim deed, all right, title and interest of the United States in Parcel A to Richard Hendricks; *Provided,* that the conveyance of Parcel A shall be subject to valid existing rights of third parties and a reservation by the United States of all mineral interests and of the existing road right of way in land section 14; and *Provided further,* that the conveyance of Parcel B to the United States may be subject to a reservation of all mineral interests therein to Richard Hendricks.

SEC. 5. The lands acquired by the Secretary by this Act shall, upon acquisition, become part of the Caribou National Forest and shall be administered in accordance with the laws, rules and regulations applicable to the National Forest System.●

By Mr. HEINZ:

S. 635. A bill to effect certain reorganization of the Federal Government to strengthen Federal programs and policies for combating international and domestic terrorism; to the Committee on Governmental Affairs.

ANTITERRORISM ACT OF 1981

Mr. HEINZ. Mr. President, I am today introducing legislation which would greatly improve the capability of the U.S. Government to halt the spread of terrorism. While there have, fortunately, been no major new acts of international terrorism perpetrated within the past several months, there is every reason to believe that there continue to exist organizations and individuals who feel that terrorism is an appropriate method to advance their goals. It is important, therefore, that we act immediately to reinforce the capability of our Government to penalize those nations which act as sponsors, conduits, or catalysts for the spread of terrorism throughout the world, and the legislation I am sponsoring would, I believe, go a long way toward achieving this goal.

Mr. President, this legislation would establish a number of procedures to assure that our Government can, when necessary, take appropriate actions to make the American public and the Congress aware of which nations are, in fact, supporting international terrorism. And, more importantly, it would give the President the authority to penalize such nations when appropriate. Let me add, however, that this legislation, even if enacted, is not by itself a complete answer to the problem of international terrorism; it is no substitute for a determined executive branch. What is required is nothing less than the complete development and implementation by this administration of a comprehensive U.S. strategy to deal with international terrorism, and I call upon the Reagan administration to go full speed ahead to make that policy a reality. We cannot afford to wait until the next terrorist incident is upon us before acting.

Mr. President, this legislation is substantially similar to legislation which was reported out of the Government Affairs Committee late last year. This legislation, which was a modified version of legislation I have cosponsored, and worked for passage of, for the past two Congresses, was largely the product of the efforts of Senators Ribicoff and Javits, and I most certainly want to acknowledge the great time and energy they put into the development of this legislation.

It may be that, as my colleagues review this legislation they may have ideas for further modifications or improvements, and I would most certainly welcome any thoughts they may have, so that we can develop the best legislation possible to deal with this most serious problem. Indeed, in the near future I expect to have additional suggestions for improving this legislation.

Mr. President, why is legislation needed in this area? There are two principal reasons; first, terrorism, unfortunately, continues to persist and even grow as a modern international phenomenon; second, we in the Congress have not yet dealt with this issue as thoroughly as we should. Let me discuss these two points.

On the first point, I really need not elaborate. The recent year-long ordeal of the American hostages in Iran is dramatic evidence of the continuing prevalence of terrorism in our world. Let us look at the full record for a moment.

International terrorism is a widespread phenomenon. The rate and number of incidents of nature demanding increasing attention from the media, governments, international terrorism is ris-

ing. The nature of the attacks increasingly threatens the orderly functioning of international commercial and government operations. Further, the acts impact on public perceptions of the security of the individual and the ability of governments to protect citizens, and government itself, from terrorist actions.

International terrorist attacks fall primarily into five major categories of activities: Assassinations, kidnapings, bombing attacks on and seizures of facilities, and hijackings. According to a CIA report, between 1968 and 1979 there were 283 incidents of international terrorist assassinations resulting in the murder of 355 victims. In 1979, 587 people were killed by terrorist attacks. Approximately 25 percent of these took place in Latin America and 38 percent took place in Western Europe. More than half of the assassinations in 1979 took place in Western Europe (25 of 47). The predominant victims were law enforcement officers (25 percent), businessmen (24 percent), and diplomats (33 percent). Almost 80 percent of all terrorist assassination attempts result in the death of the intended victims. The trend in this category is an increase especially involving assassinations of Soviet and United States nationals.

With regard to international terrorist kidnappings, there have been 347 kidnapping incidents and 133 were killed in these incidents in the same time frame: 36 percent of these took place in Latin America; 15 percent in Africa; and 16 percent in the Middle East. Fourteen percent of the victims were American businessmen and 40 percent of all terrorist kidnapping victims were Americans. As a result of these kidnappings, 267 "political prisoners" were released and, in 32 percent of the incidents—where the data is available—$146 million was paid in ransom to meet the kidnappers' demands.

The most frequent type of terrorist attack is bombing. Bombings account for nearly 40 percent of all terrorist operations. There have been 1,947 significant international terrorist bombings resulting in 1,010 deaths in the last 7 years; 19 percent of these have occurred in Western Europe and nearly 16 percent in Latin America; 36 percent of the attacks were against corporate officials, and half of the attacks were against U.S. citizens or property. The trend in this category has been down since 1974. However, little comfort can be taken from this fact because terrorist bombings are frequently conducted by relatively inexperienced terrorist groups which move to different types of activity as they become more sophisticated.

There have been 290 incidents of attacks on and seizures of facilities between 1968 and 1979 resulting in 358 killed, 332 wounded and 664 hostages. Of these attacks, 52 percent occurred in Latin America, 37 percent in Western Europe. Facilities attacked included government offices, (17 percent), banks (16 percent), military installations (15 percent), and individual residences (7 percent). Material damage amounted to $31,300,000.

One of the most dramatic types of terrorist incidents is an aircraft hijacking. Between January 1970 and November 1977, there were 72 such incidents resulting in 37 hostage deaths, and 15 hostage woundings, with 1,707 hostages eventually being released, 361 being rescued and 18 escaped. The 13 attempted hijackings of U.S. air carriers in 1979 were more than any other nation experienced. However, none occurred because of weapons penetrating the screening system. The 14 foreign hijackings involved aircraft of 12 nations with hijackers boarding at 11 different airports.

Thus, the evidence of a persistent and serious threat of international terrorism is overwhelming. The question then arises—what, if anything can be done about it, and, more relevantly, what, if anything can the Congress of the United States do about it?

First of all, Mr. President, there is no panacea for terrorism, and I know of no way consistent with civilized society to completely prevent the possibility of terrorist activity. Nonetheless, I am convinced that much can be done that is of both substantive and symbolic value in the fight against terrorism. Specifically, the bill I am introducing today is the product of many minds and many months of serious work. During that period of work, it became clear that there currently exist a number of gaps in our ability to deal with terrorism and terrorists. Let me elaborate on these gaps.

First, international law has not really succeeded in dealing with the problem of terrorism. Efforts by nations, including the United States, to formulate international legal obligations—via U.N. resolutions, resolutions of the International Civil Aviation Organization, et cetera—to control terrorism have been blocked by nations professing, not always sincerely, a concern for the right of self-determination and the right to extend political asylum. Most fundamentally, international law has not been successful because nations have generally not been willing to accept the imposition of sanctions against violators, nor to accept any other enforcement mechanisms.

Second, under the Carter administration, the executive branch did not initially assign a high enough priority to U.S. policy for combating terrorism. To quote the report of the Governmental Affairs Committee, as recently as 2 years ago,

> The executive branch saw little significant threat of terrorism to the United States.

It was only after the Senate Committee on Governmental Affairs began looking into this area that the executive branch responded by taking measures to establish a central coordinating point for dealing with terrorism, and also established a program to review the security condition of foreign airports.

The United States will not be able to combat the growing challenge of terrorism unless the executive policymaking apparatus is more effectively and forcefully utilized to define overall goals, to develop alternative initiatives in both bilateral and multilateral contexts, and to better integrate the concerns and objectives of antiterrorism policy into the policymaking functions of the geographical bureaus of the State Department.

There is also an important need for periodic reassessments by Congress and the executive branch of both the extent and sufficiency of our own preparedness and response capabilities, and the actions and policies of other governments. Such reassessments, of course, should reflect the totality of American interests, both political and economic, as well as our responsibility as one of the world's largest and most influential countries.

Third, international civil aviation security programs to protect air commerce against hijacking, sabotage, and related crimes are inadequate. During 1979, worldwide hijackings (27) went down only slightly, while hijackings originating in the United States increased to the highest since stringent security measures were instituted at U.S. airports in January 1973. In June 1979, the first successful hijacking from the United States to Cuba in 4½ years took place.

In all, there were six hijackings from the United States to Cuba, two of which were successful. The inability to substantially reduce worldwide hijackings indicates that the hijacking threat persists and further improvements are necessary to assure universal application of effective international security measures.

Fourth, terrorist activity within many nations continues, and close operational interrelationships are continuing between terrorist organizations in widely separated geographic areas of the world. The Central Intelligence Agency has confirmed the expanding nature of terrorist activity and the involvement of transitional terrorist groups based mainly in West Germany and Japan in increasing numbers of incidents where joint objectives and resources are being pursued.

Mr. President, these are some of the important reasons we need this legislation. Let me take a few moments to describe what this bill would do to remedy these problems.

Under the bill, the President would be required by law to maintain an annual list of those countries which are found to aid or abet terrorism. We simply cannot tolerate foreign governments aiding international outlaws. If a nation supports terrorists, the U.S. Government should publicize it and take steps to halt any American economic aid, military sales, trade and tourist travel to that country. Simply giving a nation "outlaw" status on a public list will be an effective sanction in itself against aiding terrorists in the future. I suspect few American tourists or corporations would feel comfortable doing business in that nation.

The U.S. Government has several tools available to it to pressure foreign countries against aiding terrorists. Under the legislation, the President could deny foreign assistance aid, sales of defense materials, export licenses for commodities of potential military application, and duty-free treatment under the Trade Act of 1974.

The legislation would also require the Secretary of Transportation to periodically inspect foreign airports for the adequacy of their security. Any foreign airport which fails to correct a serious deficiency would be placed on a list and the American traveling public would be so notified. Far too often, the airline industry has become an easy target for terrorists. Millions of American people travel

each year to foreign countries. They expect security standards abroad to equal or surpass those found here in the United States.

The bill will also require the President to report to Congress on terrorist acts which affect American lives or property. Congress will need this valuable information if it is to deal knowledgeably with the difficult aspects of terrorism.

The bill also gives strong direction to the executive branch to seek cooperation in the international arena in combating terrorism. Specifically, the legislation urges the President to negotiate with other nations for the creation of a permanent international working group on terrorism, and to seek international adherence to The Hague, Montreal, and other conventions so that hijackers and terrorists will be severely penalized around the world.

Finally, the bill takes the giant and very important step of completing U.S. adherence to the Montreal Convention by including in the United States Code strict penalties for terrorist acts on or near aircraft. These penalties, already adopted by most other nations participating in the convention, cover aircraft sabotage and piracy, and conveying false information and threats. Including this language in the United States Code will go far toward signaling other countries we are determined to deal with terrorists in the United States in the strongest, most forceful way possible.

Let me note at this point, Mr. President, that this bill is certainly not a panacea; it will not end international terrorism, nor will it in any way guarantee the proper response in each and every specific situation involving terrorism. Further, I certainly do not mean to assert that the actions called for in this legislation are the only, nor in every case, the most appropriate, means for dealing with a specific terrorist incident. For example, when a government, such as happened in Iran, is itself the perpetrator of the terrorist act, the President must fashion a response which takes into account all kinds of foreign policy and national security factors, and it is possible that the responses envisioned in this bill would not be the most useful or appropriate.

Mr. President, I should note that I am heartened by the apparent fact that the new administration will be making the elimination of terrorism one of its major foreign policy goals. While this legislation is needed, and will, I believe have a significant impact, there is no substitute for having an overall foreign policy which places a high priority on dealing with the sources of terrorism. In fact, it is all the more appropriate to pass such legislation in view of the new administration's position, and I look forward to working closely with the administration and developing a comprehensive response to international terrorism.

Mr. President, in closing, I think it would be appropriate to quote the words of now-retired Senator Ribicoff concerning the seriousness of the threat of terrorism. Senator Ribicoff said, in words as true now as they were 2 years ago:

It is time to stem this tide and fight back. Terrorism is a real threat to our security, and to that of the entire world.

American citizens, businesses, and Government facilities continue to be the focus of many terrorist acts. So, our Federal government must be organized, equipped, and prepared to deal effectively and quickly with future incidents.

Millions of American people travel overseas annually. So, we must insure their trip is a safe one and that security at foreign airports is acceptable and adequate.

Terrorism strains normal relationships between nations, and severely disrupts world security and peace. So, we must take the lead in working with the international community to combat terrorism through cooperative and mutual agreements. We must penalize those nations which support, aid, or finance terrorists' activities.

When it comes to terrorism, we do not have time to spare. It troubles me deeply to think that this bill would become law only in response to a future tragic disaster caused by terrorists. I cannot think of a better way to express our "get tough" attitude toward terrorism than to enact this bill into law.

We must act, before we have to react.

I urge my colleagues to act promptly on legislation to strengthen the capability of our Government to deal with terrorism.

Mr. President, I ask unanimous consent that the bill be printed in the RECORD.

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

S. 635

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

SECTION 1. This Act shall be cited as "The Antiterrorism Act of 1981".

STATEMENT OF FINDINGS AND PURPOSE

SEC. 2. (a) The Congress hereby finds that—

(1) innocent persons have been killed, injured, and victimized, human rights violated, property destroyed and damaged, and international commerce obstructed as a result of terrorist acts;

(2) such acts represent an intolerable attack against the fundamental right to life security of all peoples of the world;

(3) such acts constitute a threat to the orderly and civilized functions of international and national communities;

(4) certain nations exhibit a pattern of support for international terrorist acts;

(5) certain international airports fail to maintain consistently effective security measures; and

(6) economic sanctions should be directed at countries which harbor, aid, abet, or assist terrorists.

(b) It is therefore the purpose of the Act to—

(1) strengthen Federal capabilities in policy and planning, coordination, intelligence, and response capability and enlist the cooperation of all other nations and national and international organizations in initiatives to counter terrorist acts more effectively throughout the world, while safeguarding democratic values;

(2) promote appropriate action by the United States and other governments in order to combat international terrorism; and

(3) provide public notice to persons traveling in international air commerce of deficient security programs and facilities at certain foreign airports.

DEFINITIONS

SEC. 3. (a) For purposes of this Act, the term "international terrorism" includes any act which is intended to damage or threaten the interests of or obtain concessions from a state or an international organization and which either—

(1) is an act—

(A) which is unlawful and results in the death of, bodily harm to, or the forcible deprivation of the liberty of any person or in the violent destruction of property, or is an attempt or credible threat to commit an act that would have such a result; and

(B) which is committed or takes effect (i) outside the territory of a state of which the offender is an national, or (ii) outside the territory of the state against which the act is directed, or (iii) within the territory of the state against which the act is directed and the offender knows or has reason to know that a person against whom the act is directed is not a national of that state, or (iv) within the territory of any state if the act is supported by another state (within the meaning of subsection (b) of this section), irrespective of the nationality of the offender; or

(2) is an act designated as—

(A) an offense under the Convention for the Suppression of Unlawful Seizure of Aircraft (done at The Hague, December 16, 1970);

(B) an offense under the Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation (done at Montreal, September 23, 1971); or

(C) a crime under the Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons, including diplomatic agents (adopted by the General Assembly of the United Nations at New York, December 14, 1973);

but does not include acts (i) committed by the military forces of a state in the course of an armed conflict, or (ii) committed by other conventional armed groups in the course of operations directed against essentially military objectives. The exclusion contained in clause (ii) does not apply with respect to an act the purpose of which is to obtain, for actual or possible use as a weapon, any nuclear material, equipment, or technology, or any weapon or substance whose use as a weapon of war is prohibited by international law.

(b) For purposes of this Act, the term "state support of international terrorism" means any of the following acts which are committed deliberately by a state:

(1) Furnishing arms, explosives, or lethal substances to any individual, group, or organization with the likelihood that they will be used in the commission of any act of international terrorism;

(2) Planning, directing, providing training for or assisting individuals or groups in the commission of any act of international terrorism;

(3) Providing direct financial support for the commission of any act of international terrorism;

(4) Providing diplomatic facilities with intent to aid or abet the commission of any act of international terrorism; or

(5) Allowing the use of its territory as a sanctuary from extradition or prosecution for any act of international terrorism.

REPORT ON ACTS OF INTERNATIONAL TERRORISM

SEC. 4. (a) Six months after the date of enactment of this Act and each year thereafter, the President shall transmit to the President pro tempore of the Senate and the Speaker of the House of Representatives a report on those incidents he determines to be acts of international terrorism pursuant to section 3 of this Act: *Provided, however,* That any such incident which affects or involves citizens or significant interests or property of the United States shall be reported to Congress not later than sixty days after the occurrence of such an incident.

(b) With respect to any such incident

which affects or involves citizens or significant interests or property of the United States, and with respect to any major act of international terrorism, such reports shall include, but not be limited to, the following information:

(1) a description of the incident and of the involvement and identity of each individual, entity, group, or organization involved in such incident;

(2) the identity of any government providing state support for such acts of international terrorism, and a statement setting forth the exact nature and extent of such government's involvement;

(3) a description of the actions of any government which assisted in bringing about a positive termination of the incident;

(4) a description of the response of the United States Government to such incident.

(c) Nothing in this section is intended to require the public disclosure of information which is properly classified under criteria established by Executive order, or is otherwise protected by law. Such information shall be provided to the President pro tempore of the Senate and the Speaker of the House of Representatives in a written classified report. In such case, an unclassified summary of such information shall be prepared and submitted to the President pro tempore of the Senate and the Speaker of the House of Representatives.

(d) Nothing in this section is intended to require disclosure of investigatory records compiled for law enforcement purposes specifically protected by section 552(b)(7) of title 5, United States Code.

LIST OF STATES SUPPORTING INTERNATIONAL TERRORISM

SEC. 5. (a) Six months after the date of enactment of this Act and each year thereafter, the President shall consider which, if any, states have demonstrated a pattern of support for acts of international terrorism. If the President determines that any states have so acted, he shall submit a list of states supporting international terrorism to the President pro tempore of the Senate and the Speaker of the House of Representatives, and set forth his reasons for listing any such states. The President may at any time add to any such list the name of any state supporting international terrorism by transmitting the name of such state to the President pro tempore of the Senate and the Speaker of the House of Representatives together with his reasons for adding the name of such state to the list. If the President determines that no states have undertaken such acts, he shall report the same with a detailed explanation.

(b) Such list shall also identify any states against which sanctions have been applied pursuant to section 6 of this Act, and any other initiatives of the United States with respect to such states.

(c) Nothing in this section is intended to require the public disclosure of information which is properly classified under criteria established by Executive order, or is otherwise protected by law. Such information shall be provided to the President pro tempore of the Senate and the Speaker of the House of Representatives in a written classified report. In such case, an unclassified summary of such information shall be prepared and submitted to the President pro tempore of the Senate and the Speaker of the House of Representatives.

(d) Nothing in this section is intended to require disclosure of investigatory records compiled for law enforcement purposes specifically protected by section 552(b)(7) of title 5, United States Code.

(e)(1) The list shall be reviewed periodically by the President. The President may propose to Congress a request for removal of any state from the list. Such request shall be accompanied by the reasons therefor.

(2) A state requested by the President to be deleted from the list shall be removed from the list thirty days after the submission of that request to the Congress unless Congress by concurrent resolution disapproves that request.

PRESIDENTIAL AUTHORITY TO COMBAT INTERNATIONAL TERRORIST ACTS

SEC. 6. (a) When a foreign government is listed pursuant to section 5 of this Act, the President shall—

(1) provide no assistance under the Foreign Assistance Act of 1961, or

(2) not authorize any sale, or extend any credit or guaranty, with respect to any defense article or service as defined by section 47 of the Arms Export Control Act, or

(3) approve no export license for the export of commodities or technical data which would enhance the military potential of the foreign government or which would otherwise enhance its ability to support acts of international terrorism under the Export Administration Act, or

(4) extend no duty-free treatment under title V of the Trade Act of 1974, or

(5) permit no entry to the United States by nationals of such country, or foreign nationals sponsored by such country, for the purpose of acquiring or continuing training or education in nuclear sciences, or a subject having military applicability, or

(6) take such other actions as he deems necessary.

(b)(1) If the President finds that the interests of national security so require, he may suspend the applicability of all or any part of the prohibitions listed in subsection (a) of this section in such case: *Provided*, That the President consults with the appropriate committees of Congress prior to the suspension of such prohibitions. He shall report his reasons therefor in writing in detail within 15 days of the suspension to the President pro tempore of the Senate and the Speaker of the House of Representatives and those prohibitions shall not apply.

(2) In determining which of the prohibitions in subsection (a) of this section should be taken, the President, in consultation with Congress, shall consider.

(A) the effectiveness of suspending any prohibition in inducing change in a country's policy or practice of supporting acts of international terrorism;

(B) the effect of such suspension on United States relations with other governments; and

(C) the effects of such suspension on other national interests of the United States.

(c) In devising initiatives to combat international terrorist actions and to reduce state support for such actions, the President shall take such other measures available to him as he deems appropriate; he shall take into account the effectiveness of specific sanctions in inducing change in a country's policy or practice of supporting acts of international terrorism; the likely effect of sanctions on overall United States relations with such country or with other countries; and the effect such sanctions would have on other United States national interests.

(d) The President shall take all appropriate diplomatic measures consistent with international obligations to support the effectiveness of actions taken pursuant to this authority in the accomplishment of the purposes of this Act.

(e) The President shall promptly and fully inform the President pro tempore of the Senate and the Speaker of the House of Representatives of each exercise of authority granted under the Act.

(f) Nothing in this section is intended to require the public disclosure of information that is properly classified under criteria established by Executive order or is otherwise protected by law. Such information shall be provided to the President pro tempore of the Senate and to the Speaker of the House of Representatives in a written classified report. In such case, an unclassified summary of such information shall be prepared and submitted to the President pro tempore of the Senate and the Speaker of the House of Representatives.

REPORT ON FEDERAL AND INTERNATIONAL CAPABILITIES TO COMBAT TERRORISM

SEC. 7. (a) Not later than six months after the date of enactment of this Act, and thereafter at two-year intervals, the President shall submit to the President pro tempore of the Senate and the Speaker of the House of Representatives a Report on Federal and International Capabilities to Combat Terrorism. Such report shall include a comprehensive and specific review of Federal antiterrorism organization, policies, and activities. It shall include a description and evaluation of the effectiveness of relevant Federal organizational structures, planning, coordination, including with State and local authorities, response capability, intelligence gathering and analysis, assistance to and cooperation with United States business representatives abroad, and security preparedness and security adequacy of United States diplomatic and military installations. Such report shall further include a statement and evaluation of all relevant Federal policies, including those with respect to responding to threats, and the management of a terrorist incident. The report shall contain an assessment of the capability and effectiveness of the International Civil Aviation Organization and other international programs and organizations to establish appropriate airport security standards and combat terrorist activities.

(b) Nothing in this section is intended to require the public disclosure of information which is properly classified under criteria established by Executive order, or is otherwise protected by law. Such information shall be provided to the President pro tempore of the Senate and the Speaker of the House of Representatives in a written classified report. In such case, an unclassified summary of such information shall be prepared and submitted to the President pro tempore of the Senate and the Speaker of the House of Representatives.

INFORMATION ON FOREIGN AIRPORT SECURITY

SEC. 8. Section 1115 of the Federal Aviation Act of 1958 (49 U.S.C. 1515) relating to security standards in foreign air transportation is amended to read as follows:

"SECURITY STANDARDS IN FOREIGN AIR TRANSPORTATION

"SEC. 1115. (a) The Secretary of Transportation shall conduct at such intervals as the Secretary shall deem necessary an assessment of the effectiveness of the security measures maintained at those foreign airports serving United States carriers, those foreign airports from which foreign air carriers serve the United States, and at such other foreign airports as the Secretary may deem appropriate. Such assessments shall be made by the Secretary in consultation with the appropriate aeronautic authorities of the concerned foreign government. The assessment shall determine the extent to which an airport effectively maintains and administers security measures. The criteria utilized by the Secretary in assessing the effectiveness of security at United States airports shall be considered in making such assessments and shall be equal to or above the standards established pursuant to the Convention on International Civil Aviation. The assessment shall include consideration of specific security programs and techniques, including but not limited to, physical and personnel security programs and procedures, passenger security and baggage examination, the use of electronic, mechanical or other detection devices, airport police and security forces, and control of unauthorized access to the airport aircraft, airport perimeter, passenger boarding, and cargo, storage, and handling areas.

"(b) The report to the Congress required by section 315 of this Act shall contain:

"(1) A summary of those assessments conducted pursuant to subsection (a) of this section. The summary shall identify the airports assessed and describe any significant deficiencies and actions taken or recommended.

"(2) A description of the extent if any to which specific deficiencies previously identified, if any, have been eliminated.

"(c) When the Secretary finds that an airport does not maintain and administer effective security measures at the level of effectiveness specified in subsection (a) of this section, he shall notify the appropriate authorities of such foreign government of his finding, and recommend the steps necessary to bring the security measures in use at that airport to the acceptable level of effectiveness.

"(d)(1) Not later than sixty days after the notification required in subsection (c) of this section and upon a determination by the Secretary that the foreign government has failed to bring the security measures at the identified airport to the level of effectiveness specified in subsection (a) of this section, he—

"(A) shall publish in the Federal Register and cause to be posted and prominently displayed at all United States airports regularly serving scheduled air carrier operations the identification of such airport; and

"(B) after consultation with the appropriate aeronautical authorities of such government and, notwithstanding section 1102 of this Act, may, with the approval of the Secretary of State, withhold, revoke, or impose conditions on the operating authority of any carrier or foreign air carrier to engage in foreign air transportation utilizing that airport.

"(2) The Secretary shall promptly report to the Congress any action taken under this subsection setting forth information concerning the attempts he has made to secure the cooperation of the nation in attaining the acceptable level of effectiveness.

"(e) Nothing in this section is intended to require the public disclosure of information that is properly classified under criteria established by Executive order or is otherwise protected by law. Such information shall be provided to the President pro tempore of the Senate and to the Speaker of the House of Representatives in a written classified report. In such case, an unclassified summary of such information shall be prepared and submitted to the President pro tempore of the Senate and the Speaker of the House of Representatives.".

AVIATION SECURITY ASSISTANCE TO FOREIGN GOVERNMENTS

SEC. 9. (a)(1) The Secretary of Transportation is authorized to promote the achievement of international aviation security by providing technical assistance concerning aviation security to foreign governments. Such technical assistance may include the conduct of surveys to analyze the level of aviation security in airports and the provision of training in aviation security to foreign nationals. Such training in aviation security may be conducted either in the United States or in foreign nations. The Secretary may provide for the payment of subsistence and expenses for travel within the United States for foreign nationals receiving such aviation security training in the United States.

(2) The Secretary may require a foreign government to reimburse the United States for all, part, or none of the cost of providing the technical assistance authorized under paragraph (1).

(b) There is authorized to be appropriated to carry out the provisions of this subsection an amount not to exceed $100,000 for each of the fiscal years 1982, 1983 and 1984.

POWER TO GRANT AUTHORITY TO ARREST AND CARRY WEAPONS

SEC. 10. (a) Section 313 of the Federal Aviation Act of 1958, as amended (49 U.S.C. 1354), is amended by redesignating subsection (e) as subsection (f) and by adding a new subsection:

"(e) Subject to such reasonable rules and regulations as he may prescribe, the Administrator is empowered to authorize, in connection with the performance of their air transportation security duties, persons employed by the Federal Aviation Administration to carry firearms, and to make arrests under warrant for any offense committed against the laws of the United States, and without warrant for any offense against the laws of the United States committed in their presence or for any felony cognizable under the laws of the United States if they have reasonable grounds to believe that the person to be arrested has committed or is committing such a felony.".

(b) The table of contents of the Federal Aviation Act of 1958, in the matter of subchapter III, chapter 20 of title 49, United States Code, section 1354, is amended by redesignating

"(e) Annual report to President and Congress"

to read

"(e) Power to grant authority to arrest and carry weapons",

and by adding a new designation,

"(f) Annual report to President and Congress".

PRIORITIES FOR NEGOTIATION OF INTERNATIONAL AGREEMENTS

SEC. 11. (a) The President is hereby urged to seek international agreements to assure more effective international cooperation in combating terrorism.

(b) High priority in the negotiation of such agreements should be given to agreements which include, but which need not be limited to the following:

(1) establishment of a permanent international working group, including subgroups on topics as may be appropriate, including but not limited to, law enforcement and crisis management, which would combat international terrorism by—

(A) promoting international cooperation among countries;

(B) developing new methods, procedures, and standards to combat international terrorism; and

(C) developing and implementing rules for air service boycotts to countries supporting international terrorism;

(2) establishment of means to effect observance of—

(A) the Convention for the Suppression of Unlawful Seizure of Aircraft (The Hague, December 16, 1970);

(B) the Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation (Montreal, September 23, 1971); and

(C) the Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons, Including Diplomatic Agents (New York, December 14, 1973);

(D) the Convention Against the Taking of Hostages (New York, December 17, 1979).

IMPLEMENTATION OF MONTREAL CONVENTION

SEC. 12. The President shall develop standards and programs to insure the full implementation of the provisions of the Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation (Montreal, September 23, 1971).

AIRCRAFT SABOTAGE

SEC. 13. (a) Section 31 of title 18, United States Code, is amended—

(1) by striking out the words "Civil Aeronautics Act of 1938" and inserting in lieu the words "Federal Aviation Act of 1958";

(2) by striking "and" at the end of the third undesignated paragraph thereof;

(3) by striking the period at the end thereof and inserting in lieu thereof ";"; and

(4) by adding at the end thereof the following:

"'In flight' means any time from the moment all the external doors of an aircraft are closed following embarkation until the moment when any such door is opened for disembarkation. In the case of a forced landing the flight shall be deemed to continue until competent authorities take over the responsibility for the aircraft and the persons and property aboard; and

"'In service' means any time from the beginning of preflight preparation of the aircraft by ground personnel or by the crew for a specific flight until twenty-four hours after any landing; the period of service shall, in any event, extend for the entire period during which the aircraft is in flight.".

(b) Section 32, title 18, United States Code, is amended to read as follows:

"Whoever willfully sets fire to, damages, destroys, disables, or interferes with the operation of, or makes unsuitable for use any civil aircraft used, operated, or employed in interstate, overseas, or foreign air commerce; or willfully places a destructive substance in, upon, or in proximity to any such aircraft which is likely to damage, destroy, or disable any such aircraft, or any part or other material used, or intended to be used, in connection with the operation of such aircraft; or willfully sets fire to, damages, destroys, or disables any air navigation facility or interferes with the operation of such air navigation facility, if any such act is likely to endanger the safety of such aircraft in flight, or

"Whoever, with the intent to damage, destroy, or disable any such aircraft, willfully sets fire to, damages, destroys, or disables or places a destructive substance in, upon, or in the proximity of any appliance or structure, ramp, landing area, property, machine, or apparatus, or any facility, or other material used, or intended to be used, in connection with the operation, maintenance, or loading or unloading or storage of any such aircraft or any cargo carried or intended to be carried on any such aircraft; or

"Whoever willfully performs an act of violence against or incapacitates any passenger or member of the crew of any such aircraft if such act of violence or incapacitation is likely to endanger the safety of such aircraft in service; or

"Whoever willfully communicates information, which he knows to be false, thereby endangering the safety of any such aircraft while in flight; or

"Whoever willfully attempts to do any of the aforesaid acts—shall be fined not more than $10,000 or imprisoned not more than twenty years, or both.".

(c)(1) Chapter 2, title 18, United States Code, is amended by adding a new section after section 32 to read as follows:

"§ 32A Offenses in violation of the Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation

"(a) Whoever commits an offense as defined in subsection (b) against or on board an aircraft registered in a state other than the United States and is afterward found in this country—shall be fined not more than $10,000 or imprisoned not more than twenty years, or both.

"(b) For purposes of this section a person commits an 'offense' when he willfully—

"(1) performs an act of violence against a person on board an aircraft in flight if that

act is likely to endanger the safety of that aircraft; or

"(2) destroys an aircraft in service or causes damage to such an aircraft which renders it incapable of flight or which is likely to endanger its safety in flight; or

"(3) places or causes to be placed on an aircraft in service, by any means whatsoever, a device or substance which is likely to destroy that aircraft, or to cause damage to it which renders it incapable of flight, or to cause damage to it which is likely to endanger its safety in flight; or

"(4) attempts to commit, or is an accomplice of a person who commits or attempts to commit, an offense enumerated in this subsection.".

(2) The analysis of chapter 2 of title 18 of the United States Code is amended by adding after item

"32. Destruction of aircraft or aircraft facilities."

the following new item:

"32A. Offenses in violation of the Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation.".

(d) Section 101(34) of the Federal Aviation Act of 1958, as amended (49 U.S.C. 1301 (34)), relating to the definition of the term "special aircraft jurisdiction of the United States,"; is amended as follows:

(1) by deleting the word "or" at the end of subsection (d)(i);

(2) by deleting the word "and" at the end of subsection (d)(ii) and inserting in lieu thereof the word "or"; and

(3) by adding a new subsection (d)(iii) as follows:

"(iii) regarding which an offense as defined in subsection (d) or (e) of article I, section I of the (Montreal) Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation is committed, provided the aircraft lands in the United States with an alleged offender still on board; and".

(e) Section 902(k) of the Federal Aviation Act of 1958, as amended (49 U.S.C. 1472(k)), is amended by adding subsection (3) to the end thereof, to read as follows:

"(3) Whoever while aboard an aircraft in the special aircraft jurisdiction of the United States commits an act which would be an offense under section 32 of title 18, United States Code, shall be punished as provided therein.".

(f)(1) Chapter 2 of title 18, United States Code, is amended by adding at the end thereof the following new section:

"§ 36. Imparting or conveying threats

"(a) Whoever imparts or conveys or causes to be imparted or conveyed any threat to do an act which would be a felony prohibited by section 32 or 33 of this chapter or section 1992 of chapter 97 or section 2275 of chapter 111 of this title with an apparent determination and will to carry the threat into execution shall be fined not more than $5,000 or imprisoned not more than five years, or both.".

(2) The analysis of chapter 2 of title 18 of the United States Code is amended by adding at the end thereof the following new item:

"36. Imparting or conveying threats."

AIRCRAFT PIRACY

SEC. 14. (a) Section 901 of the Federal Aviation Act of 1958, as amended (49 U.S.C. 1471), is amended by adding at the end thereof the following new subsections:

"(c) Whoever imparts or conveys or causes to be imparted or conveyed false information, knowing the information to be false, concerning an attempt or alleged attempt being made or to be made, to do any act which would be a crime prohibited by subsection (i), (j), (k), or (l) of section 902 of this Act, shall be subject to a civil penalty of not more than $1,000 which shall be recoverable in a civil action brought in the name of the United States.

"(d) Except for law enforcement officers of any municipal or State government, or the Federal Government, who are authorized or required within their official capacities to carry arms, or other persons who may be so authorized under regulations issued by the Administrator, whoever, while aboard, or while attempting to board, any aircraft in, or intended for operation in, air transportation or intrastate air transportation, has on or about his person or his property a concealed deadly or dangerous weapon, which is, or would be, accessible to such person in flight shall be subject to a civil penalty of not more than $1,000 which shall be recoverable in a civil action brought in the name of the United States.".

(b) Subsection (a) of section 1395 of title 28, United States Code, is amended by striking the period at the end of such subsection and adding the following: ", and in any proceeding to recover a civil penalty under section 35(a) of title 18 of the United States Code or section 901(c) or 901(d) of the Federal Aviation Act of 1958, all process against any defendant or witness, otherwise not authorized under the Federal Rules of Civil Procedure, may be served in any judicial district of the United States upon an ex parte order for good cause shown.".

(c)(1) Section 902(m) of the Federal Aviation Act of 1958 (49 U.S.C. 1472(m)) is amended to read as follows:

"FALSE INFORMATION AND THREATS

"(m)(1) Whoever willfully and maliciously, or with reckless disregard for the safety of human life, imparts or conveys or causes to be imparted or conveyed false information knowing the information to be false, concerning an attempt or alleged attempt being made or to be made, to do any act which would be a felony prohibited by subsection (i), (j), or (l)(2) of this section, shall be fined not more than $5,000 or imprisoned not more than five years, or both.

"(2) Whoever imparts or conveys or causes to be imparted or conveyed any threat to do an act which would be a felony prohibited by subsection (i), (j) or (l)(2) of this section, with an apparent determination and will to carry the threat into execution, shall be fined not more than $5,000 or imprisoned not more than five years, or both.".

(2) The table of contents of the Federal Aviation Act of 1958, in the matter of title II (subchapter IX, chapter 20 of title 49, United States Code, section 1472(m)), is amended by redesignating

"(m) False information."

to read

"(m) False information and threats.".

(d) Section 903 of the Federal Aviation Act of 1958 (49 U.S.C. 1473) is amended by striking "Such" at the beginning of the second sentence of subsection (b)(1) of that section, and substituting therefor "Except with respect to civil penalties under section 901 (c) and (d) of this Act, such".

By Mr. CRANSTON (for himself, Mr. RANDOLPH, and Mr. STAFFORD):

S. 636. A bill to clarify the Veterans' Administration's authority to recover certain health-care costs, to extend the period of availability of funds committed under the Veterans' Administration program of assistance to new State medical schools, to authorize expansion of the scope of and epidemiological study regarding veterans exposed to agent orange, and for other purposes; to the Committee on Veterans' Affairs.

VETERANS' ADMINISTRATION HEALTH CARE AMENDMENTS OF 1981

● Mr. CRANSTON. Mr. President, the bill I am introducing today on behalf of myself and two other members of the Veterans' Affairs Committee, the Senator from West Virginia (Mr. RANDOLPH) and the Senator from Vermont (Mr. STAFFORD), contains three VA health-care-related provisions that were passed twice by the Senate last fall, but were not acted on by the House of Representatives before the 96th Congress adjourned. Briefly, the Senate passed these three provisions unanimously on September 4, 1980, as part of S. 1188, the "Disabled Veterans' Rehabilitation Act of 1980"—which ultimately was enacted, with modifications in titles I, II and V of Public Law 96-466—but, because the House Committee on Veterans' Affairs objected to the inclusion of these provisions in that legislation on grounds of germaneness, the health-care provisions were not included in the compromise agreement that incorporated S. 1188. In an attempt to overcome this objection and gain House consideration before the end of the last Congress, these three provisions were inserted as an amendment in the nature of a substitute in a separate House-passed health bill that was pending in the Senate Committee on Veterans' Affairs—H.R. 4015—which was then passed by the Senate on September 26, 1980, and sent back to the House where, unfortunately, it died with the sine die adjournment of the 96th Congress.

Mr. President, these three provisions would:

First, strengthen and clarify the VA's authority to recover the costs of veterans' non-service-connected care, in appropriate cases, from workers' compensation carriers, automobile no-fault insurers, and States that pay for the costs of health care provided to victims of personal violence;

Second, modify the VA's program of grant assistance to new State medical schools under subchapter I of chapter 82 of title 38, United States Code, to provide an additional 12-month period in which the five new State medical schools established with assistance under that subchapter may obligate funds previously committed to them; and

Third, authorize the expansion of the scope of the epidemiological study mandated by section 307 of Public Law 96-151 regarding veterans exposed to agent orange to include additional factors that might be related to the health problems being experienced by Vietnam veterans, and establish timetables within which the Administrator of Veterans' Affairs, based on the results of such study and other available pertinent information, would develop regulations for the resolution of claims for benefits based on exposure to agent orange and, if the scope of the study is expanded, on the other factors.

Mr. President, as I stated on September 26—the day the Senate passed H.R. 4015 with these provisions as a substitute amendment—I believe that these VA health-care related provisions, with the possible exception of the provision that

would authorize significant changes in the VA's agent orange study, are not controversial. With respect to the proposed change in the agent orange study, a provision which I authored along with the distinguished Senator from Pennsylvania (Mr. HEINZ) and which I will describe in greater detail below, the Senate's rollcall vote on September 4 on the Cranston-Heinz amendment was unanimous—86 to 0—and would thus appear to be widely supported in the Senate as a meaningful and responsible next step for dealing with the very difficult scientific questions that remain regarding the health of many Vietnam veterans.

I will be working very hard with the new chairman of the committee, the very able Senator from Wyoming (Mr. SIMPSON), who cosponsored our substitute amendment to H.R. 4015, and other members of the committee to act quickly on this bill and secure prompt Senate action. Based on the commitment I received last fall from the new chairman of the House Committee on Veterans' Affairs, Representative MONTGOMERY, I am sure that if the Senate acts quickly on this matter, the provisions of this bill will receive prompt and favorable consideration on the House side. Indeed, pursuant to that commitment, the provisions have already been introduced in the other body as H.R. 2155, 2156, and 2157.

HEALTH-CARE COST RECOVERY PROVISIONS

Mr. President, under the Medical Care Recovery Act, sections 2651 and 2652 of title 42, United States Code, and pursuant to VA regulations, the VA has an active program in many States for recovering health-care costs in cases in which a non-service-connected disabled veteran is provided VA hospital, nursing home, or outpatient care and also is entitled to reimbursements for health-care costs for disabilities covered by workers' compensation, automobile no-fault accident insurance, or a State's crime-victims' compensation program. However, in some States the VA is precluded from such recoveries because of State laws, insurance exclusionary clauses, or State-court interpretations.

Section 2 of the bill we are introducing would provide clear authority for the United States to recover the costs of hospital, nursing home, or outpatient medical care furnished by the VA to veterans for non-service-connected disabilities to the extent they have entitlement to payment for private medical care under the situations I listed above. Under this provision, the United States would have an independent right to recover its costs of providing health care in such a situation to the exetent that the third party involved—such as the veterans' employer, the workers' compensation carrier, or the State with a crime-victim compensation program—would be liable if the care and treatment were provided in a non-Federal facility.

Recoveries would be limited to any maximum amount specified by law in the State or community concerned or by a relevant provision in a contract of insurance or indemnification unless the amount sought to be recovered was a lesser amount. In the latter situation, the amount of the recovery would be governed by the reasonable costs of the care and services provided by the VA, as determined by the Administrator under a schedule of costs that would be prescribed after notice and opportunity for public comment.

Mr. President, the purpose of providing clear statutory authority for the right of recovery in these situations is to enable the VA, in appropriate cases, to pursue these recoveries without extensive litigation over the issue of its authority to recover. The provision in this bill would override provisions in State laws and codes of local communities that exclude, for the purpose of workers' compensation, auto no-fault, and crime-victims' compensation health-care coverage, any care provided in a Federal health-care facility. It also would provide expressly that veterans eligible for VA health-care services under chapter 17 of title 38 may not be denied VA medical care or services by reason of this provision.

The Congressional Budget Office has informally and preliminarily estimated that potential recoveries would be $500,000 in the first year of full implementation rising to $2.2 million in the fourth year. Thus, particularly in view of the budget-conscious climate in which we now require Federal agencies to operate, I believe we should provide the VA with straightforward authority in this regard in order to make it easier for the VA to collect reimbursements to which it is entitled.

EXTENSION OF TIME FOR STATE MEDICAL SCHOOLS ESTABLISHED WITH ASSISTANCE OF VA GRANTS TO OBLIGATE FUNDS

Mr. President, section 3 of this bill would modify the VA's program of grant assistance to new State medical schools under chapter 82 of title 38.

Under subchapter I of chapter 82 the VA operates a program for assistance in the establishment of new State medical schools. Five medical schools—Wright State University in Dayton, Ohio; Marshall University in Huntington, W. Va.; the University of South Carolina in Columbia, S.C.; the Quillen/Dishner Medical School in Johnson City, Tenn.; and Texas A&M University in Temple, Tex.—have received grants to assist in the alteration or repair of buildings in order to make them suitable for use as medical school facilities and to help pay the faculty salaries at such schools. Each of these new medical schools is affiliated with at least one VA medical center.

Although new medical schools are no longer authorized to be established under the subchapter I program, new appropriations for such grant assistance are authorized through fiscal year 1982, and funds previously appropriated remain available—by virtue of sections 5072(b) and 5082(b) of title 38—for 6 years after the year for which they were appropriated. However, I note that, despite the continued availability of an authorization for appropriations for this program through fiscal year 1982, no new appropriation has been made for any part of the chapter 82 program since fiscal year 1979, and none have been requested for fiscal years 1981 or 1982.

Mr. President, under section 5073(a)(2) of title 38, a grant made to a new medical school under the subchapter I program for the payment of faculty salaries may be used for that purpose only during the first 7 years of the school's operation and only up to statutorily specified percentages of total faculty salary costs—declining from 90 percent during the first 3 years of such school's operation to 50 percent in the seventh year.

Mr. President, Wright State was the first new medical school to receive a subchapter I grant and is now well into its seventh year of operation, as defined in VA regulations implementing the subchapter I program. The distinguished Senator from Ohio (Mr. GLENN) brought to my attention last year that, due to circumstances unforseeable when the subchapter I program was enacted, Wright State may be unable to use effectively by the end of the 7-year period the full amount of grant funding committed to it for faculty salaries. In order to resolve this problem and also to prevent similar difficulties from occurring at the other four schools, section 3 of the bill would provide an additional 12-month period in which these schools could obligate the funds already committed to them under subchapter I beyond the periods specified in sections 5027(b), 5082(b), and 5073(a)(2) of title 38.

This provision would limit the amount of remaining funds that could be used to pay faculty salaries during the 12-month extension period to 50 percent of the total cost of such salaries during that year—the same limit that currently applies in the seventh year. Thus, the provision is intended to enable the schools to make appropriate and efficient use of the funds already committed to them.

Mr. President, no new authorization for appropriations for the subchapter I program would be provided by this section of the bill, and there would be no additional expenditures entailed by enactment of this provision.

AMENDMENTS TO THE AGENT ORANGE STUDY PROVISION

Mr. President, section 4 of the bill would amend the current agent orange study mandate—section 307 of Public Law 96-151, the Veterans' Health Programs Extension and Improvement Act of 1979—in four ways.

First, it would amend the description of the mandated agent orange study to require the VA to study the health of Vietnam veterans as their health may have been affected by exposure to agent orange.

Second, it would authorize the Administrator of Veterans' Affairs to expand the scope of the agent orange study to include an evaluation of other factors involved in service in Vietnam, including exposure to other herbicides, chemicals, medications, or environmental hazards or conditions.

Third, it would expressly provide the Administrator with authority to contract with non-VA entities for the design and conduct of the study.

Fourth, it would provide a framework within which the VA would be required to translate information obtained from the agent orange study—and the other

factors if the study is expanded—and information from other relevant studies or sources, into guidelines and recommendations for responding to the claims of Vietnam veterans that are based on exposure to such elements.

The Senate Committee on Veterans' Affairs has followed closely the work of the President's interagency work group on phenoxy herbicide exposure—IAG—which was established on December 11, 1979, and is chaired by the Department of Health and Human Services.

Mr. President, on February 27, 1981, I wrote to Martin Anderson, the Assistant to the President for Policy Development, to urge that the President reauthorize this very important group and formally designate it as the group responsible for assuring that the President's responsibility—mandated in section 307(c) of Public Law 96-151—to assure coordination and consultation between different Federal agencies with respect to their agent orange-related activities is fully implemented. I ask unanimous consent that this letter be printed in the RECORD at this point.

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

COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C., February 27, 1981.

Mr. MARTIN ANDERSON,
Assistant to the President for Policy Development, The White House, Washington, D.C.

DEAR MARTIN: I am writing in connection with a matter that is of great importance to our Nation's Vietnam veterans and a deep concern of mine on the Veterans' Affairs Committee—Agent Orange. As you know, Agent Orange, the defoliant used by our Armed Forces in Vietnam, was contaminated by dioxin, one of the most toxic substances ever identified by the scientific community.

On December 11, 1979, President Carter established, through his Assistant for Domestic Affairs and Policy, an interagency work group to assure that all Federal efforts in the area of dioxin-related research are fully coordinated and that there is a wide and ongoing consultation among all the agencies involved. The President appointed the then-Department of Health, Education, and Welfare—an agency well-equipped, in my view, to deal with the difficulties involved and one not generally perceived as having an interest to defend in these matters—as the work group's chair agency.

On December 20, 1979, the Veterans' Health Programs Extension and Improvement Act of 1979 (Public Law 96-151) was enacted with provisions, in section 307(a), mandating the VA to design and conduct an epidemiological study on Agent Orange. In addition, for purposes of assuring that any dioxin-related study conducted by the Federal Government would be scientifically valid and conducted efficiently and objectively, section 307(c) of this law required the President to assure that the VA study is fully coordinated with all other Federal agencies' studies regarding the health effects in humans of dioxin exposure and that all appropriate consultation and coordination take place among the heads of Federal agencies involved in the design, conduct, monitoring, or evaluation of such dioxin studies. For your reference, I have enclosed a copy of section 307 of Public Law 96-151.

Since the interagency work group on dioxin (formally the Interagency Work Group on Phenoxy Herbicides and Contaminants) was created, it has issued six progress reports dealing with the many dioxin-related activities of the Federal agencies, including long-term research proposals and various clinical projects of a shorter length, which may help to provide the answers we seek about the possible health effects of exposure to substances containing dioxin. In addition, the work group has itself reviewed and commented on certain of these research proposals. I believe these reports and comments have been of definite value to the agencies involved in terms of the rapid dissemination of useful information, to the Congress in terms of providing members with succinct, periodic updates, and, finally, to the public, in terms of widespread concern that the studies be as objective and useful as possible and that no unnecessary delays occur in the Federal Government's pursuit of answers in this area. I also believe that the work group could appropriately serve as the means of the President carrying out his statutory responsibility under section 307(c) of Public Law 96-151.

In light of the immediacy of the issues involved—the VA will, after great delay, shortly sign a contract for the design of the protocol for its study—and their great importance to Vietnam veterans and their families and to the health of many other segments of our population, I believe that the President should reauthorize the interagency group under the chairmanship of the Secretary of Health and Human Services, designating the group as the body responsible for assuring that the provisions of section 307(c) of Public Law 96-151 are fully implemented. Such a designation—accompanied by the appropriate delegation of the authority—would enhance the authority of the group and give greater weight to its recommendations as well as provide needed assurance of full implementation of those provisions.

I would very much appreciate hearing from you at your earliest convenience about these matters and learning of your response to my recommendations.

With warm regards,
Cordially,

ALAN CRANSTON,
Ranking Minority Member.

AGENT ORANGE STUDY

SEC. 307. (a)(1) The Administrator of Veterans' Affairs shall design a protocol for and conduct an epidemiological study of persons who, while serving in the Armed Forces of the United States during the period of the Vietnam conflict, were exposed to any of the class of chemicals known as "the dioxins" produced during the manufacture of the various phenoxy herbicides (including the herbicide known as "Agent Orange") to determine if there may be long-term adverse health effects in such persons from such exposure. The Administrator shall also conduct a comprehensive review and scientific analysis of the literature covering other studies relating to whether there may be long-term adverse health effects in humans from exposure to such dioxins or other dioxins.

(2)(A)(i) The study conducted pursuant to paragraph (1) shall be conducted in accordance with a protocol approved by the Director of of Office of Technology Assessment.

(ii) The Director shall monitor the conduct of such study in order to assure compliance with such protocol.

(B)(i) Concurrent with the approval or disapproval of any protocol under subparagraph (A)(i), the Director of the Office of Technology Assessment shall submit to the appropriate committees of the Congress a report explaining the basis for the Director's action in approving or disapproving such protocol and providing the Director's conclusions regarding the scientific validity and objectivity of such protocol.

(ii) In the event that the Director has not approved such protocol during the one hundred and eighty days following the date of the enactment of this Act, the Director shall (I) submit to the appropriate committees of the Congress a report describing the reasons why the Director has not given such approval, and (II) submit an update report on such initial report each sixty days thereafter until such protocol is approved.

(C) The Director shall submit to the appropriate committees of the Congress, at each of the times specified in the second sentence of this subparagraph, a report on the Director's monitoring of the conduct of such study pursuant to subparagraph (A)(ii). A report under the preceding sentence shall be submitted before the end of the six-month period beginning on the date of the approval of such protocol by the Director, before the end of the twelve-month period beginning on such date, and annually thereafter until such study is completed or terminated.

(3) The study conducted pursuant to paragraph (1) shall be continued for as long after the submission of the report under subsection (b)(2) as the Administrator may determine reasonable in light of the possibility of developing through such study significant new information on the long-term adverse health effects of exposure to dioxins.

(b)(1) Not later than twelve months after the date of the enactment of this Act, the Administrator shall submit to the appropriate committees of the Congress a report on the literature review and analysis conducted under subsection (a)(1).

(2) Not later than twenty-four months after the date of the approval of the protocol pursuant to subsection (a)(2)(A)(i) and annually thereafter, the Administrator shall submit to the appropriate committees of the Congress a report containing (A) a description of the results thus far obtained under the study conducted pursuant to such subsection, and (B) such comments and recommendations as the Administrator considers appropriate in light of such results.

(c) For the purpose of assuring that any study carried out by the Federal Government with respect to the adverse health effects in humans of exposure to dioxins is scientifically valid and is conducted with efficiency and objectivity, the President shall assure that—

(1) the study conducted pursuant to subsection (a) is fully coordinated with studies which are planned, are being conducted, or have been completed by other departments, agencies, and instrumentalities of the Federal Government and which pertain to the adverse health effects in humans of exposure to dioxins; and

(2) all appropriate coordination and consultation is accomplished between and among the Administrator and the heads of such departments, agencies, and instrumentalities that may be engaged, during the conduct of the study carried out pursuant to subsection (a), in the design, conduct, monitoring, or evaluation of such dioxin-exposure studies.

(d) There are authorized to be appropriated such sums as may be necessary for the conduct of the study required by subsection (a).

Mr. CRANSTON. Mr. President, the committee has reviewed carefully the various recommendations and comments made by the IAG in its six progress reports on Federal activities in this area, and the provisions in this section of the bill reflect many of the recommendations made by the IAG thus far. With respect to the VA agent orange study, the IAG commented in an August 1980 progress report that the current study mandate, which requires a study of veterans exposed to dioxin as found in agent orange, would be extremely difficult, if not impossible, to fulfill because of the many scientific problems entailed in

identifying a population, prior to commencing the study, known to be exposed to agent orange. VA officials and other scientists concur in this opinion.

Thus, the first change that would be made in the study mandate by this section would remove this unintended threshold problem by requiring the VA to study the health of Vietnam veterans as it may have been affected by their exposure. This change would allow the VA to begin the study of the health status of these veterans by identifying a population of veterans who served in Vietnam, without first having to determine whether each one was, without question, exposed to agent orange in Vietnam.

The IAG also stated in its August 1980 report that it was aware of a multitude of concerns of Vietnam veterans about various other chemicals, medications, and environmental hazards that were present in Vietnam and, thus, possibly could be related to health impairments that Vietnam veterans are experiencing today.

Based on the above-described difficulty in identifying with precision a population exposed to agent orange and these other concerns, the IAG recommended that the mandate for the VA study be expanded to take these other factors into account. The provision in this section would give the Administrator of Veterans' Affairs discretionary authority to do just that while not, in any way, detracting from the study's focus, as already mandated, on agent orange.

Mr. President, I believe it is possible, as the IAG has suggested, that a combination of factors peculiar to service in Vietnam may be responsible for the many health problems now being blamed on agent orange alone. I believe that we have a responsibility to Vietnam veterans and other concerned Americans to make sure these other possibilities are fully and carefully explored. Moreover, it may be that, should the Administrator choose to expand the study, this provision will lead to more reliable results in a shorter period of time about the current status of the health of Vietnam veterans.

Mr. President, the third change in the agent orange study mandate that would be made by this section would explicitly authorize the Administrator to contract with non-VA public or private entities for the design and conduct of the mandated study. Last June, I called for the VA to take steps to contract out the design and overall management of the study to a group outside the direct control of the VA because I had become convinced then—as I still am—that it is in the best interest of all concerned that the study be managed by a clearly neutral, nongovernmental body. Several of the veterans' organizations, most notably the American Legion and the Veterans of Foreign Wars, adopted resolutions at their most recent national conventions in support of such an approach.

Mr. President, the fourth change—and one that, in my view, would be a particularly valuable and appropriate addition to the study mandate—would require the Administrator to establish a framework for the VA to issue regulations containing guidelines, standards, and criteria for resolving disability compensation claims based on disabilities or diseases believed to be related to agent orange exposure, and, if the scope of the study is expanded, on the other possible health-risk factors.

As I mentioned above, Senator HEINZ and I worked long and hard on this provision which is intended to provide Vietnam veterans and their families with the assurance that every effort will be made to evaluate appropriately and completely any new evidence obtained from the mandated study on agent orange—and, if the study is expanded, the other factors—very soon after such information is available, and, thus, insure that the claims of Vietnam veterans are fairly considered.

Mr. President, this provision would establish—as described in detail in a colloquy between Senator HEINZ and me on September 4, 1980, CONGRESSIONAL RECORD, pages 24076–24078—a specific timetable for the VA to report to appropriate congressional committees on the study findings, to develop and publish in the Federal Register proposed regulations, and to make recommendations to appropriate congressional committees for any legislative action that might be necessary in light of the proposed regulations.

Such recommendations would include, of course, any changes in current law warranted by the study findings with respect to certain specific presumptions of disability or compensation for genetic damage that might be related to birth defects. However, this change would not, in any way, compel the VA to develop and propose any such guidelines, criteria, and standards that are not justified by the scientific information available at the times that the reports and proposals must be submitted, nor would it preclude VA actions with respect to proposals for the resolution of these claims based on scientific evidence available from other sources at any earlier time.

This change also would not have the effect in itself of speeding up the scientific process of finding the answers to the very perplexing questions we now face with respect to the health of Vietnam veterans. However, I believe that, by establishing a specific framework and timetable for VA action, tied to certain reporting requirements already contained in Public Law 96–151, we would be taking an important step toward meeting the strong concerns of many Vietnam veterans that, in the absence of an express requirement for VA actions on the findings of the mandated study, the VA might not act promptly.

It is very unfortunate that many Vietnam veterans perceive the VA in this manner. Regrettably, these perceptions are not without some justification, as might be expected in any situation which involves a complex, as yet undeciphered, problem, the very strong concerns and expectations of many individuals who have served our country well when called to do so, and a very large governmental bureaucracy.

Mr. President, section 307(d) of Public Law 96–151, which authorizes the appropriation of such sums as may be necessary for the conduct of the mandated study, would not be amended by this bill.

I urge my colleagues to support the changes that would be made in the Agent Orange study by this bill and join me in my effort to assure its rapid consideration. In my view, this would be a most meaningful message to Vietnam veterans, their families, and all other persons concerned about the Federal Government's ability to act appropriately in this very troublesome area.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD at this point.

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

S. 636

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Veterans' Administration Health Care Amendments of 1981".

VETERANS' ADMINISTRATION HEALTH-CARE COST RECOVERY PROVISIONS

SEC. 2. (a) Subchapter III of chapter 17 of title 38, United States Code, is amended by adding after section 628 the following new section:

"§ 629. Recovery by the United States of the cost of certain care and services

"(a) In any case in which a veteran is furnished care and services under this chapter for a non-service-connected disability and such disability was incurred—

"(1) incident to such veteran's employment and the disability is covered under a workers' compensation law or plan which provides reimbursement for or indemnification of the cost of health care and services provided to the veteran by reason of the disability,

"(2) as the result of a motor vehicle accident covered under the law of a State which requires the owners or operators of motor vehicles registered in such State to have in force automobile accident reparations insurance, or

"(3) as the result of a crime of personal violence that occurred in a State or subdivision thereof in which a person injured as the result of such crime is entitled to receive health care and services at such State's or subdivision's expense for personal injuries suffered a the result of such crime,

the United States shall have the right to recover, subject to the limitations, conditions and procedures prescribed in subsections (b) and (c) of this section, the reasonable costs of such care and services from the State or subdivision thereof, employer, employer's insurance carrier, or automobile accident reparations insurance carrier, to the extent that such veteran, or the provider of care and services to such veteran, would be eligible to receive reimbursement or indemnification for such care and services if such care and services had not been furnished by a department or agency of the United States.

"(b) The amount that may be recovered by the United States in exercising the right provided under subsection (a) of this section may not exceed the lesser of (1) an amount equal to the reasonable cost of the care and services furnished such veteran under this chapter, as determined by the Administrator pursuant to regulations which the Administrator shall prescribe after notice and opportunity for public comment, or (2) the maximum amount specified by the law of the State or subdivision thereof concerned or by any relevant contractual provision to which such veteran was a party or was subject.

"(c)(1) The United States shall, as the right provided in subsection (a) of this section, be subrogated to any right or claim that such veteran or such veteran's personal representative, successor, dependents, or survivors may have against a State or subdivision thereof, an employer, an employer's insurance carrier, or an automobile accident reparations insurance carrier.

"(2) In order to enforce any such right or claim to which it is subrogated under paragraph (1) of this subsection—

"(A) the United States may intervene or join in any action or proceeding brought by the veteran or such veteran's personal representative, successor, dependents, or survivors against a State or subdivision thereof, an employer, an employer's insurance carrier, or an automobile accident reparations insurance carrier, or

"(B) if—

"(i) no such action or proceeding has been commenced within one hundred and eighty days after the first day on which care and services for which recovery is sought were furnished to such veteran by the Veterans' Administration under this chapter, and

"(ii) the United States has sent written notice by certified mail to such veteran at such veteran's last-known address, or to such veteran's personal representative or successor, of the United States intention to institute legal proceedings,

the United States may, sixty days after the mailing of such notice, institute and prosecute legal proceedings against such State or subdivision thereof, employer, employer's insurance carrier, or automobile accident reparations carrier.

"(d) A veteran eligible for care and services under this chapter may not be denied such care and services by reason of this section.

"(e) No law of any State or of any subdivision thereof, and no provision of any contract or agreement entered into, renewed, or modified pursuant to any State law shall operate to prevent recovery by the United States under (1) subsection (a) of this section for care and services furnished under this chapter to any veteran for a non-service-connected disability, or (2) subsection (b) of section 611 of this title for care and services furnished as a humanitarian service in emergency cases under such subsection to any individual.".

(b) The table of sections at the beginning of such chapter is amended by adding after the item relating to section 628 the following new item:

"629. Recovery by the United States of the cost of certain care and services.".

EXTENSION OF TIME FOR STATE MEDICAL SCHOOLS ESTABLISHED WITH ASSISTANCE OF VA GRANTS TO OBLIGATE FUNDS

SEC. 3. Notwithstanding the provisions of section 5072(b), 5073(a)(2), or 5082(b) of title 38, United States Code, in cases in which the Administrator has approved an application for a grant or supplemental grant under subchapter I of chapter 82 of such title (for the establishment of a new State medical school), amounts appropriated pursuant to section 5072(a) or 5082 of such title that are approved for such a grant or supplemental grant shall remain available for, and may be paid during, a period of twelve months in addition to the periods provided for in such sections, respectively, and any funds made available by this section for payments, or authorized to be paid, under such grant or supplemental grant for faculty salaries may not exceed the amount provided for under section 5073(a)(2)(G) of such title.

AMENDMENTS TO AGENT ORANGE STUDY PROVISIONS

SEC. 4. Section 307 of the Veterans' Health Programs Extension and Improvement Act of 1979, Public Law 96-151 (93 Stat. 1097), is amended—

(1) by amending subsection (a)(1) to read as follows:

"(a)(1)(A)(i) The Administrator of Veterans' Affairs shall design a protocol for and conduct an epidemiological study of the long term adverse health effects in humans of service in the Armed Forces of the United States in the Republic of Vietnam during the period of the Vietnam conflict as such health effects may result from exposure to phenoxy herbicides (including the herbicide known as 'Agent Orange') and the class of chemicals known as 'the dioxins' produced during the manufacture of such herbicides.

"(ii) In conducting the study provided for by division (i) of this subparagraph, the Administrator may, as the Administrator deems appropriate, expand the scope of such study to include an evaluation of the long term adverse health effects in humans of such service as such health effects may result from other factors involved in such service, including exposure to other herbicides, chemicals, medications, or environmental hazards or conditions.

"(B)(i) The Administrator shall also conduct a comprehensive review and scientific analysis of the literature covering other studies relating to whether there may be long term adverse health effects in humans from exposure to phenoxy herbicides (including the herbicide known as 'Agent Orange') and the class of chemicals known as 'the dioxins' produced during the manufacture of such herbicides.

"(ii) In conducting the review and analysis of the literature provided for by division (i) of this subparagraph, the Administrator may, as the Administrator deems appropriate, expand the scope of such review and analysis of the literature to include a review and analysis of the literature covering other studies relating to whether there may be long term adverse health effects in humans from other factors involved in srevice in the Armed Forces of the United States in the Republic of Vietnam during the Vietnam conflict or in other comparab'e situations involving one or more of the factors described in subparagraph (A)(ii) of this paragraph.

"(C) The Administrator may, in carrying out the study provided for by subparagraph (A) or the review and analysis of the literature provided for by subparagraph (B), or both, enter into such contracts or agreements with private or public agencies or persons for such necessary services, including design of the protocol for or the conduct of, in whole or part, such study, or both, or such review and analysis of the literature, or both, as the Administrator may deem practicable and necessary."; and

(2) by amending subsection (b)—

(A) by amending paragraph (2) by inserting "for administrative or legislative action, or both," after "recommendation";

(B) by adding at the end the following new paragraph:

"(3)(A)(i) Not later than ninety days after the submission of each report provided for in paragraph (2), the Administrator shall, based on the results described in each such report and the comments and recommendations thereon and any other available pertinent information, develop and publish in the Federal Register, for public review and comment, proposed regulation, containing proposed guidelines, standards, and other criteria (together with an explanation of the bases for such proposed guidelines, standards, and criteria) for resolving claims for benefits administered by the Veterans' Administration based on exposure to Agent Orange during service in the Armed Forces of the United States in the Republic of Vietnam during the Vietnam conflict.

"(ii) If the Administrator expands the scope of the study provided for in subsection (a)(1)(A)(i) (as provided for in subsection (a)(1)(A)(ii)), such proposed regulations shall also contain proposed guidelines, standards, and other criteria for resolving claims for benefits administered by the Veterans' Administration based on one or more factors described in subsection (a)(1)(A)(ii) related to such service.

"(iii) Proposed regulations developed and published pursuant to division (i) of this subparagraph (and, if proposed regulations are developed and published pursuant to division (ii) of this subparagraph, pursuant to such division) shall include specification of any presumptions (including any presumptions regarding service and exposure) to be applied to the resolution of the claims to which such proposed guidelines, standards, and criteria in such proposed regulations apply.

"(iv) Notwithstanding any other provision of law, the public review and comment process required by division (i) of this subparagraph shall be conducted in accordance with the provisions of sections 553 (b) and (e), 556, and 557 of title 5, United States Code.

"(v) On the same day as such proposed regulations are published as required by division (i) of this subparagraph, the Administrator shall submit to the appropriate committees of the Congress any recommendations for legislative action that the Administrator considers appropriate in light of such proposed guidelines, standards, and criteria, the report submitted pursuant to section (b)(2), and any other available pertinent information.

"(B) Not later than ninety days after the completion of the public review and comment process provided for in subparagraph (A)(i) and (iv), the Administrator shall publish in the Federal Register final regulations containing the guidelines, standards, and other criteria (together with an explanation of the bases for such guidelines, standards, and criteria) for resolving the claims involved.

"(C) Nothing in subparagraph (A) or (B) shall be considered to limit in any way the discretion and authority of the Administrator to promulgate or prescribe regulations, guidelines, standards, or other criteria for resolving any claims described in subparagraph (A)(i) or (ii) at any time earlier than the time prescribed in subparagraph (A) for the publication of the proposed regulations described in such subparagraph.

"(D) The Administrator's compliance with the provisions of, and any regulations promulgated pursuant to, this paragraph shall be subject to judicial review in accordance with the provisions of chapter 7 of title 5, United States Code.".●

By Mr. JOHNSTON (for himself and Mr. JACKSON):

S. 637. A bill to establish a program for Federal storage of spent fuel from civilian nuclear powerplants, to set forth a Federal policy and initiate a program for the disposal of nuclear waste from civilian activities, and for other purposes; to the Committee on Energy and Natural Resources.

NUCLEAR WASTE POLICY ACT

● Mr. JOHNSTON. Mr. President, today I am introducing the Nuclear Waste Pol-

icy Act, a bill which is based on the nuclear waste legislation which was overwhelmingly approved by the Senate in the 96th Congress. As my colleagues recall, at the close of the last Congress, certain Members of the Senate and the House of Representatives were working hard to arrive at a compromise on this important energy policy issue. Time ran out on us before that compromise could be developed. It is my hope that we can regenerate the cooperative spirit of that time and move expeditiously in this Congress to the enactment of comprehensive legislation establishing a definitive national policy for nuclear waste management.

The legislation I am introducing today embodies the basic policies adopted by the Senate last year. The Nuclear Waste Policy Act provides for—

A Federal program, including authorization for the construction or acquisition of a Federal facility, for interim away-from-reactor storage of spent nuclear fuel;

A requirement that the Secretary submit to Congress within a time certain a proposal accompanied by cost estimates for a system for the long-term isolation of spent nuclear fuel and high-level radioactive waste in a manner that permits continuous monitoring and ready retrieval of the fuel or waste;

An accelerated program of research, development, and investigation of alternative technologies for the long-term isolation of nuclear wastes under conditions incorporating retrievability as well as in irreversible ways; and

A process of consultation and concurrence involving Federal Government and affected States and Indian tribes in the siting of permanent repositories for the nuclear wastes generated in civilian nuclear activities.

Mr. President, I believe there is an excellent chance for early enactment of a nuclear waste policy based on the elements of this bill. There can be no doubt that we are in great need of policy guidance from Congress in this matter. Currently, the nuclear energy option is, in my opinion, unreasonably burdened by public doubt and uncertainty about nuclear waste disposal. This public doubt and uncertainty is a direct consequence of indecision and drift in Federal policy with regard to nuclear waste management. The Federal Government has avoided definitive action on nuclear waste management, failed to assess waste management costs, and blocked the adoption of a rational spent fuel policy. Yet policy decision on these matters can only be made by the Federal Government. The aim of the bill I am introducing is to see that the Federal Government assumes its responsibilities with regard to nuclear waste management and begins doing the things that those responsibilities imply.

There are three principal titles of the bill.

AWAY-FROM-REACTOR STORAGE

Title III of the bill authorizes the Secretary of Energy to acquire, transport, and provide for the interim storage of spent nuclear fuel from civilian nuclear powerplants. The Secretary would levy a per unit charge for this service designed to recover the full cost of interim storage and permanent disposal of wastes associated with the spent fuel, including all transportation and handling. The Secretary would be authorized to construct or acquire one or more facilities—each to be fully subject to the licensing authority of the Nuclear Regulatory Commission—to provide safe interim storage of the spent fuel. Any person transferring spent fuel to the Secretary would retain the nontransferable right to the value of any fuel remaining should such material ever be recovered.

The purpose of this legislation is to provide prudent insurance against the likelihood that spent fuel pools at one or more existing nuclear reactors will fill up, forcing the shutdown of those powerplants. There is a good chance that expansion of these pools will prove infeasible or uneconomic, or both.

Federal capacity for the sale isolation of spent fuel and high level radioactive waste will be urgently needed during the 1980's. It is currently very unlikely that permanent disposal facilities will be in place in this time frame. There is also a substantial possibility that necessary approvals for expanded at-reactor storage will not be forthcoming in all instances. In any event, at-reactor pools were never designed to store large amounts of spent fuel for extended periods of time. Reliance on this method of storage pending the uncertain establishment of a facility for permanent disposal of nuclear wastes is both unsafe and costly relative to centralized AFR storage. The Nuclear Waste Policy Act provides the necessary Federal authority to establish such a program, while insuring that the ratepayers who benefit from nuclear power pay the full cost of nuclear waste management.

PERMANENT NUCLEAR WASTE DISPOSAL

Title IV of the bill directly addresses the question of permanent disposal of nuclear wastes. Definitive answers with regard to permanent nuclear waste disposal have proved extremely elusive over the years since nuclear power first was recognized as an important energy option. Indecision on permanent nuclear waste disposal is one of the reasons we currently are faced with the necessity of providing for interim away-from-reactor storage of spent nuclear fuel. If facilities for separating and permanently disposing of nuclear wastes from spent fuel were in existence today, AFR's would not be necessary.

We should have no illusions that it will be easy to agree on a specific facility for the permanent disposal of nuclear wastes. Nuclear wastes must be isolated for a very long time with very high assurance that release to the biosphere will not occur. Certainly this means that we must design any permanent disposal facility with care and make use of the best scientific skills and techniques available. We should not, however, make the job harder than it needs to be. Much of the recent thinking about the permanent disposal of nuclear wastes assumes that wastes will be irreversibly consigned to some deep underground geologic formation. It is the irreversibility of this kind of technological option which makes us so reluctant to choose a specific site and construct the necessary facilities. We are asking ourselves to make an irreversible choice, one that will last for all time. Reluctance to make this kind of choice is understandable.

But forcing this kind of choice is not necessary. There is no reason why nuclear wastes cannot be safely isolated from the biosphere for as long as may be required in facilities which permit continuous monitoring of the waste, maintenance of all important features of the facility providing containment of the waste, and ready retrieval of the waste to prevent any loss of control of potentially toxic material.

An added advantage of this approach is that it allows for progress—the certain discovery in the future of more advanced and secure methods of waste containment. As long as we do not lose control of the waste we put away now, we can incorporate the improved knowledge we are bound to gain in the future. In the meantime, however, we are assured—because we have control of the wastes—that the public health and safety is adequately protected at all times.

Title IV of the Nuclear Waste Policy Act requires the Secretary of Energy to submit to Congress—within a time certain—a detailed proposal for a facility for the permanent disposal of spent fuel and high-level radioactive wastes from civilian nuclear activities in a manner which permits continuous monitoring and ready retrieval of the fuel and wastes. Before any such facility would be built a subsequent act of Congress would be required.

Submission of the proposal required by title IV would permit Congress to carefully assess the merits and costs of long-term retrievable, monitored isolation of nuclear wastes. For the first time definitive action on a system of permanent disposal facilities would be possible without the uncertainties that have been the hallmark of past efforts to locate a specific deep geologic formation—a granite structure, a basalt formation, or a salt dome—where nuclear waste could be irreversibly consigned with reasonable assurances of safety. The facilities envisioned in title IV, while they would be located underground, could in fact be safely sited in any State in the continental United States. If we adopt the policy suggested in title IV of the Nuclear Waste Policy Act, no individual State will be singled out as the "nuclear dumping ground for the Nation" solely because of the geologic characteristics of its subsurface. The connection between geologic identity and the attractiveness of a site for nuclear waste disposal will be broken. We will be free to pick a waste disposal site—or several waste disposal sites—to better connect the costs of nuclear power with the beneficiaries of nuclear power.

STATE PARTICIPATION

Finally, title VI of the bill confers on States and Indian tribes specific rights of consultation and concurrence in the sit-

ing of permanent disposal facilities for civilian nuclear waste. The provisions of the Nuclear Waste Policy Act constitute a simplified version of the language adopted by the Senate in the 96th Congress. The policy is the same. Any State in which a permanent disposal facility for civilian nuclear waste may be located—or any Indian tribe on whose reservation such a facility may be located—has the right to enter into negotiations with the Secretary concerning the coordination and sharing of information and views concerning the proposed facility.

In the event that a proposed facility reaches the point where application by the Secretary to the Nuclear Regulatory Commission for a construction license is appropriate, the State and, as the case may be, the Indian tribe would have the right to object to the proposed facility. All work on the facility would stop unless the President submitted a statement to the Congress that concerns of the State or Indian tribe have been sufficiently addressed in the proposed project. Work on the facility could not be restarted if either House of Congress passes a resolution disapproving the President's statement. Thus the objections of an affected State or Indian tribe prevail if either House of Congress agrees that a proposed permanent disposal facility for civilian nuclear waste fails to sufficiently address the concerns of the State or tribe.

Mr. President, civilian nuclear power is very important to the energy future of this country. But for nuclear power to remain a viable energy option, we must set forth a definite and acceptable policy for the management of civilian nuclear wastes. We need such a policy to deal with the civilian nuclear wastes we now have—which are considerable—and also to deal with the wastes which will be generated in the future. I believe that the Nuclear Waste Policy Act provides the necessary authorities for a careful and considered resolution of the current uncertainties in civilian nuclear waste management. I look forward to participating with my colleagues in addressing this important issue and urge the convening of hearings on the bill at the earliest convenient date.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD at this point.

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

S. 637

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Nuclear Waste Policy Act".

TITLE I—FINDINGS AND PURPOSES

FINDINGS

SEC. 101. The Congress finds and declares that—

(a) a reliable system adequate to provide sufficient electrical energy to meet the Nation's current and anticipated needs is an essential part of a comprehensive national energy policy and is vital to national security and public welfare;

(b) an adequate electrical system requires a diversified base of primary energy sources in order to avoid excessive reliance upon any single alternative energy source;

(c) a diverse base of primary energy sources can be achieved only if each available source competes on an equal footing in decisions on the siting and construction of facilities for generating commercial electric power;

(d) nuclear energy can—

(1) make a significant contribution to national supplies of electricity;

(2) offer site-specific advantages in environmental impact, cost, and fuel availability over other primary sources of energy; and

(3) help reduce United States dependence on insecure sources of foreign oil;

(e) lack of an effective Federal policy for the interim storage of spent fuel and disposal of radioactive waste from civilian nuclear activities unreasonably burdens the choice of nuclear energy as an alternative primary energy source in decisions on siting and construction and operation of powerplants and unduly constrains efforts to establish a diverse base of primary energy sources;

(f) the Federal Government has the responsibility for the interim storage of spent fuel from civilian nuclear powerplants and the disposal of high-level radioactive waste from civilian nuclear activities in order to protect the public health and safety and provide for the common defense and security.

(g) the costs associated with the storage of spent fuel and the disposal of radioactive waste from civilian nuclear activities should, to the greatest extent practicable, be borne by the direct beneficiaries of such activities and should be considered in the selection or rejection of nuclear energy over alternative primary energy sources; and

(h) the technology exists and is under development which would provide reasonable assurance that spent fuel and high-level radioactive waste can be safely disposed of and that disposal facilities for spent fuel and high-level radioactive waste can be available when needed;

PURPOSES

SEC. 102. The purpose of this Act is to—

(a) assume the Federal responsibility for the acquisition and interim storage of spent fuel from civilian nuclear powerplants and for the disposal of high-level radioactive waste from civilian nuclear activities;

(b) establish a definite Federal policy for the disposal of high-level radioactive waste from civilian nuclear activities;

(c) authorize the Secretary to—

(1) acquire or construct at least one facility for the interim storage of spent fuel from civilian nuclear powerplants;

(2) select a technology and design for a system comprised of at least one Federal facility for the disposal of high-level radioactive waste generated by civilian nuclear activities and to select a site and design for the first component of such a system;

(3) provide for the construction, operation and maintenance of nuclear waste storage and disposal facilities described in paragraphs (1) and (2);

(d) accelerate the examination and consideration of alternative technologies for the disposal of nuclear waste; and

(e) provide for improved consultation and cooperation between the Federal Government and States and Indian Tribes in the siting of facilities for the interim storage of spent fuel from civilian nuclear powerplants and facilities for the disposal of high-level radioactive waste from civilian nuclear activities.

TITLE II—DEFINITIONS

SEC. 201. As used in this Act the term—

(1) "atomic energy defense activities of the Secretary" includes those activities and facilities of the Department of Energy carrying out the functions of—

(i) Naval reactors' development and propulsion;

(ii) weapons activities, verification and control technology;

(iii) defense materials production;

(iv) inertial confinement fusion;

(v) defense waste management; and

(vi) defense nuclear materials, security and safeguards,

all as included in the Department of Energy appropriations account in any fiscal year for such functions.

(2) "civilian nuclear powerplant" means a utilization or production facility for the generation of commercial power, as that phrase is used in the Atomic Energy Act of 1954, which is or will be licensed under such Act;

(3) "Commission" means the Nuclear Regulatory Commission;

(4) "disposal" means the long-term isolation of material, including long-term monitored storage which permits retrieval of the material stored;

(5) "environmental impact statement" means any document prepared pursuant to or in compliance with the requirements of section 102(2)(C) of the National Environmental Policy Act of 1969 (83 Stat. 852);

(6) "Governor" means the Governor of a State or successors to the Governor, during their respective terms of office, or their designees;

(7) "Indian tribe" means an Indian tribe, as defined in the Indian Self-Determination and Education Assistance Act (Public Law 93-638);

(8) "permanent disposal" means the long-term isolation of radioactive waste for at least such period of time as the Commission determines is necessary in order that the radioactivity, heat generation and toxicity of such waste does not exceed the radioactivity, heat generation and toxicity of naturally occurring uranium.

(9) "repository" means a facility for the disposal of high-level waste, transuranic contaminated waste, or spent nuclear fuel, whether or not such facility is designed to permit the subsequent recovery of such material, except for facilities to be used exclusively for research and development purposes and containing an insignificant amount of such material;

(10) "safe repository" means any underground facility for the permanent disposal of transuranic waste, high-level radioactive waste, spent nuclear fuel or any combination of such wastes or fuel, whether or not such facility is designed to permit the subsequent recovery of the materials placed in the repository, and whether or not such safety is achieved solely by the characteristics of the medium in which the facility is located or by a combination of such characteristics with appropriate engineered structural containment, waste form and packaging, monitoring and maintenance of such facility.

(11) "Secretary" means the Secretary of Energy;

(12) "spent fuel" means nuclear fuel that has been irradiated in and recovered from a civilian nuclear powerplant;

(13) "State" means any State of the United States, the District of Columbia, and, subject to the provisions of Public Law 96-205, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States; and

(14) "test disposal" means the emplacement in a repository of an amount in excess of 100 canisters of spent nuclear fuel, high-level wastes or transuranic contaminated waste.

TITLE III—INTERIM STORAGE OF SPENT FUEL FROM CIVILIAN NUCLEAR POWERPLANTS

SEC. 301. (a) It is the policy of the Federal Government to provide, as soon as possible, an assured and predictable capacity for the interim storage of spent fuel from civilian nuclear powerplants.

(b) The policy under subsection (a) shall provide for—

(1) maximizing, by utilization of available spent fuel pools to the maximum practical extent, the storage of such spent fuel at the site of each civilian nuclear powerplant; and

(2) the etsablishment of a Federally owned and operated system for the interim storage of spent fuel at one or more away-from-reactor facilities.

SEC. 302. The Secretary, the Commission and other appropriate Federal officials shall take such actions as they consider necessary to encourage and expedite the use of available storage at the site of each civilian nuclear powerplant consistent with—

(a) the protection of the public health and safety;

(b) economic considerations;

(c) continued operation of the powerplant;

(d) the sensibilities of the population surrounding such powerplant; and

(e) otherwise applicable law.

SEC. 303. (a) The Secretary, consistent with such criteria as he prescribes under the policy set forth in section 301, shall offer to enter into, and may enter into, contracts with persons owning, or planning to own, civilian nuclear powerplants. Those contracts shall provide that the Federal Government will (1) take title to spent fuel from the powerplants, (2) transport the spent fuel to Federally owned and operated interim away-from-reactor storage facilities and store such fuel in the facilities, and (3) dispose of waste products associated with such spent fuel.

(b) Nothing in this Act authorizes the Secretary to take title to spent fuel, transport spent fuel or dispose of spent fuel or the waste products associated with spent fuel from a nuclear powerplant not located within the United States.

SEC. 304. A contract entered into under section 303 shall provide—

(a) for a one-time payment at the time the Federal Government acquires the spent fuel of a charge per unit of spent fuel, as such unit is defined by the Secretary, which charge is determined by the Secretary to be adequate to cover—

(1) the cost of transportation of such spent fuel;

(2) the proportion of the costs of the construction and the operation, maintenance and decommissioning of Federal interim away-from-reactor storage facilities which proportion is associated with such spent fuel; and

(3) a surcharge to reflect the cost of permanent disposal of high-level radioactive waste associated with such spent fuel;

(b) for the retention by the owner of such spent fuel of a nontransferable right to the value of the remaining fuel resource less the costs of recovery, as determined at the time of recovery. The right ends when the Federal Government—

(1) takes action resulting in the recovery of the remaining fuel resource, and

(2) gives to the owner of the right an amount of money equal to the value of the recovered fuel less the costs of recovery;

(c) that title to the spent fuel together with all rights to such fuel, except as otherwise provided in this Act, passes to the Secretary at the site of the powerplant at the time the Secretary takes possession of the spent fuel;

(d) that the contract becomes effective when the interim away-from-reactor storage facility is available as determined by the Secretary by notice in the Federal Register; and

(e) for adjustment and recalculation of the one-time payment established under subsection (a) of this section and assessment of any difference to be paid or reimbursed at the time such spent fuel or associated radioactive waste is placed in permanent disposal.

SEC. 305. (a) The Secretary shall provide notice of intent to enter into such contracts by publishing notice in the Federal Register not later than one hundred and eighty days after the date of the enactment of this Act. Such notice shall contain such information as the Secretary considers appropriate concerning proposed terms and conditions of such contracts.

(b) The Secretary shall establish the one-time payment charge per unit of spent fuel required by subsection 304(a) on an annual basis, based on calculation of the costs and surcharge listed in subsection 304(a), and shall publish such annual one-time payment charge and the calculation thereof in the Federal Register. Each one-time payment charge shall become effective thirty days after publication and shall remain effective for a period thereafter of twelve months as the charge for the costs and surcharge listed in subsection 304(a) for any spent fuel, title to which is transferred to the Federal Government during that twelve-month period.

SEC. 306. (a) The Secretary shall construct or acquire at least one away-from-reactor facility for the interim storage of spent fuel from civilian nuclear powerplants. The facilities shall—

(1) be made available in adequate capacity and in a timely manner to accommodate all spent fuel for which commitments have been made pursuant to section 303 of this Act; and

(2) be subject to a license under the provisions of section 202(3) of the Energy Reorganization Act of 1974 (88 Stat. 1233).

(b) The Secretary, in providing for the transportation of spent fuel under this Act, shall utilize by contract private industry to the fullest extent possible in each aspect of such transportation. The Secretary shall use direct Federal services for such transportation only upon a determination of the Secretary of Transportation, in consultation with the Secretary, that private industry is unable or unwilling to provide such transportation services at reasonable cost. The authority of the Secretary to enter into contracts under this section shall be limited to the extent and in such amounts as are provided in appropriations Acts.

(c) The Secretary and the Commission, on a continuing basis, shall analyze and make projections of the availability when needed of spent fuel transportation casks required to support Federal transportation requirements pursuant to subsection (b). The Secretary and the Commission are authorized and directed to take such actions as the Secretary and the Commission, respectively, deem necessary and appropriate to ensure the timely availability when needed of such spent fuel transportation casks.

SEC. 307. When an interim away-from-reactor storage facility is available, the Secretary shall take possession of and transport to a designated storage facility any spent fuel covered by a contract made under section 303 of this Act. The Secretary shall take this action within thirty days after the date on which the owner of such spent fuel provides notice in writing to the Secretary that such spent fuel is available.

SEC. 308. Funds made available to the Secretary for the purpose of—

(a) acquiring plant and capital equipment or land; or

(b) for planning, construction, or modification of facilities,

to make available facilities for the interim storage of spent fuel from civilian nuclear powerplants away from the reactor under any law making appropriations of funds or authorizations for appropriations of funds for the fiscal year ending September 30, 1979, the fiscal year ending September 30, 1980, and the fiscal year ending September 30, 1981, including funds authorized and appropriated for Project 79-1-p (Away-From-Reactor Spent Nuclear Fuel Storage Capacity) in any legislation authorizing appropriations for the Department of Energy, shall be available to carry out the purposes of section 306.

SEC. 309. (a) In carrying out the provisions of sections 301 through 308 with regard to any facility for the interim storage of spent fuel from civilian nuclear powerplants which the Secretary is authorized by section 306(a) to construct or acquire, the Secretary shall:

(1) as soon as practicable, but not later than 90 days after enactment of this section, notify in writing the Governor and the legislature of any State in which is located a potentially acceptable site for such a facility or an existing facility potentially suitable for interim storage of spent fuel of the Secretary's intention to investigate that site or facility;

(2) during the course of investigation of such site or facility, keep the Governor and the legislature currently informed of the progress of work and results of the investigation;

(3) at the time of selection by the Secretary of any site or existing facility, but prior to undertaking any site-specific work or alterations, promptly notify the Governor and the legislature in writing of such selection; and

(4) throughout the course of any subsequent work on that site or existing facility, furnish the Governor all relevant information on a current basis and provide him with the opportunity for review and comment from time to time.

(b) If within a reasonable time after the Governor has received notice of selection required by subsection (a)(3), the Governor notifies the Secretary in writing of his objections to the facility, the Secretary shall suspend further work on such facility and promptly transmit the Governor's objections together with the Secretary's comments and recommendations to the President.

(c) Unless within ninety days after receipt of the Secretary's notification under subsection (b) the President determines that such facility is essential to the national interest, the Secretary shall terminate activities specific to the facility. Such determination shall not be subject to judicial or administrative review.

(d) During the regulation and monitoring of the facility, the Governor or his designee shall have the right to be currently informed of all relevant facts and matters, and shall have access to all relevant documents, and have the right to review and comment on such matters from time to time.

SEC. 310. Section 202(3) of the Energy Reorganization Act of 1974 is amended to read:

"(3) Facilities used primarily for the receipt and storage of high-level radioactive wastes or spent fuel resulting from activities licensed under such Act or spent fuel from foreign reactors transferred under a subsequent arrangement authorized under such Act.".

SEC. 311. Transportation of spent fuel under section 303(a) shall be subject to licensing and regulation by the Commission as provided for transportation of commercial spent fuel under existing law.

TITLE IV—DISPOSAL OF HIGH-LEVEL RADIOACTIVE WASTE RESULTING FROM CIVILIAN NUCLEAR ACTIVITIES

SEC. 401. It is the policy of the Federal Government to provide, consistent with section 301, a federally owned and operated system for the permanent disposal of all high-level radioactive waste resulting from civilian nuclear activities.

SEC. 402. Within one year after the date of the enactment of this Act, the Secretary shall transmit to the Congress a proposal for the construction of one or more safe repositories for the permanent disposal of high-level radioactive waste resulting from civilian nuclear activities. Such repositories shall be designed to—

(a) accommodate spent fuel from civilian nuclear activities without reprocessing, as well as the high-level radioactive waste from other civilian nuclear activities, including reprocessing of such spent fuel if such reprocessing is undertaken in the United States;

(b) permit continuous monitoring, management, and maintenance of the spent fuel and high-level radioactive waste for the foreseeable future; and

(c) provide for the ready retrieval of any spent fuel and high-level radioactive waste for further processing or disposal by an alternative method.

SEC. 403. The proposal shall include—

(a) the general description, cost estimates, and construction schedule for a permanent disposal system which shall be initially designed for a capacity adequate at a minimum to receive in a timely manner the high-level radioactive waste produced by all ongoing civilian nuclear activities and the spent fuel from the operation of all civilian nuclear powerplants for which any application for any Federal license or permit has been received prior to the date of the enactment of this Act; and

(b) site-specific designs, specifications, and cost estimates adequate to solicit bids for the construction of an initial safe repository within the system which will demonstrate the feasibility of permanent disposal of spent fuel and high-level radioactive waste in a manner which permits retrieval of such fuel and waste and which has capacity of at least one thousand spent fuel rods along with a volume of processed high-level radioactive waste from civilian activities limited to the amount sufficient to accomplish such demonstration.

SEC. 404. In formulating the proposal, the Secretary shall consult with the Commission and the Environmental Protection Agency, and shall transmit their comments on the final proposal to the Congress together with the proposal.

SEC. 405. (a) Preparation and transmittal of the proposal to the Congress is not a major Federal action significantly affecting the environment within the meaning of section 102 (2)(C) of the National Environmental Policy Act of 1969 (83 Stat. 852) but an environmental assessment shall be prepared on the proposal to accompany such transmittal based upon available information regarding alternative technologies for waste disposal.

(b) When Congress authorizes construction of the initial safe repository, the requirements of the National Environmental Policy Act shall apply, except that any environmental impact statement in connection with such facility need not consider any alternative to the design criteria set forth in section 402 of this Act as may have been amended by such subsequent congressional authorization.

(c) Any facility authorized under this title shall be subject to a license under section 202(3) of the Energy Reorganization Act of 1974 (88 Stat. 1233), except that in its consideration of the application filed by the Secretary for the initial facility, the Commission may not consider any alternative to the design criteria set forth in section 402 of this Act but shall comply with the requirements of the licensing process as otherwise provided by law.

(d)(1) Beginning the first fiscal year after the commencement of construction of any safe repository under section 402 the Secretary shall, to the extent provided in appropriations Acts and subject to the provisions of this subsection, make annual impact aid payments to any appropriate local government with respect to such repository—

(A) which repository is located within the jurisdictional boundaries of such government,

(B) which is determined by the Secretary to have a substantial impact on such government, and

(C) where the construction of such repository, or any modification thereof, is completed after the effective date of this Act, and, in the case of a modification of an existing facility, such modification substantially increases the capacity of such repository.

(2) The Secretary shall by rule establish a formula under which payments will be made under this subsection for any fiscal year. In developing such formula, the Secretary shall identify, and take into account, the local governmental services provided to the Secretary concerning such repository and the associated costs to the governments providing such services as the result of such repository. The Secretary may enter into negotiations with any appropriate local government in advance of commencement of construction of any safe repository to determine the magnitude of the payments such government would receive under the formula with respect to such repository.

(3) Payments made pursuant to this subsection shall be made solely from the fund established under section 501. The authorization of payments under this subsection is not an obligation of the United States.

(4) No payment may be made under this subsection with respect to any land or interests in land owned by the United States and administered by any Federal agency (other than the Secretary), without regard to how the United States obtained ownership thereof, including lands or interests therein acquired or withdrawn by a Federal agency for purposes of such agency and subsequently made available to the Secretary for such facilities.

(5) As used in this subsection, the term "local government" means a county, parish, township, municipality, borough existing in the State of Alaska on the date of the enactment of this subsection, or other unit of government below the State which is a unit of general government as determined by the Secretary.

SEC. 406(a). The Secretary shall continue and accelerate a program of research, development, and investigation of alternative means and technologies for the permanent disposal of high-level radioactive wastes from civilian activities, atomic energy defense activities of the Secretary and Federal research and development activities. Such program shall include examination of various waste disposal options including, but not limited to—

(1) permanent disposal in naturally occurring geologic formations;

(2) advanced technologies for the long-term retrievable isolation of nuclear waste;

(3) placement in deep ocean sediments;

(4) placement in very deep drill holes;

(5) placement in a mined cavity in a manner which leads to rock melting;

(6) partitioning of reprocessing waste and transmutation of radionuclides; and

(7) ejection into space.

(b) The programs to be carried out under subsections (a) shall include—

(1) collection of baseline data and environmental information about potential disposal sites;

(2) dissemination of fundamental scientific information;

(3) development, analysis, and validation of predictive models;

(4) extensive, independent, objective review of results by scientific experts, and of proposed facilities and operations through the licensing process;

(5) practical experience, including careful monitoring of radioactive waste isolation systems;

(6) a demonstrated capability to take any needed corrective or mitigating actions; and

(7) an ongoing research and development program to increase the state of knowledge about the disposal of nuclear waste.

(d) The Secretary shall report to the Congress his findings and recommendations resulting from the program authorized by this section, as follows—

(1) as a part of the annual report required by section 657 of the Department of Energy Organization Act (91 Stat. 565) the Secretary shall report concerning the status of the program; and

(2) from time to time, the Secretary shall make recommendations arising from his studies concerning the advisability of modifying or replacing the technology adopted under section 402 of this Act.

TITLE V—FINANCIAL ARRANGEMENTS

SEC. 501. (a) There is hereby established in the Treasury of the United States a separate account to provide for (1) the construction and operation of Federal away-from-reactor interim storage facilities for spent fuel, (2) the disposal of such spent fuel or high-level radioactive waste from civilian nuclear activities, and (3) the handling and transportation of such spent fuel or waste. Amounts appropriated under sections 308 and 502(b) or otherwise appropriated to the Secretary to carry out any of the purposes of titles III and IV (except section 406), all charges under section 304, receipts derived from the sale of any reprocessed fuel, and the proceeds from any obligations issued pursuant to section 502 of this title shall be deposited into the account.

(b) To the extent or in such amounts as are provided in appropriations Acts, the Secretary may draw on such account to carry out the purposes of titles III and IV (except section 406).

SEC. 502. (a) To carry out the purposes of titles III and IV (except section 406) the Secretary may borrow money from the Treasury of the United States in amounts provided in appropriation Acts, but not more than $300,000,000. The Secretary and the Secretary of the Treasury shall agree on terms, maturities, and conditions of the obligations, but the maturities may not be more than thirty years. The Secretary may redeem the obligations before maturity. The Secretary of the Treasury shall decide the interest rate of the obligations considering the average market of outstanding marketable obligations of the United States Government of comparable maturities during the month before the obligations are issued. The interest payments on such obligations may be deferred with the approval of the Secretary of the Treasury but any interest payment so deferred shall bear interest. Such obligations shall be issued in amounts and at prices approved by the Secretary of the Treasury. The Secretary of the Treasury shall purchase any obligations of the Secretary issued under this section and for this purpose the Secretary of the Treasury is authorized to use as a public debt transaction of the United States the proceeds from the sale of any securities issued under the Second Liberty Loan Bond Act. Securities may be issued under that Act to purchase obligations from the Secretary under this section.

(b) There is authorized to be appropriated for the fiscal year ending September 30, 1982, to carry out the purposes of titles III and IV (except section 406) no more than $200,000,000, such amounts to remain available until expended.

(c) Appropriations made available under sections 308 and subsection (b) and any other appropriations made to the Secretary to carry out the purposes of titles III and IV (except section 406) shall be repaid into the General Fund of the Treasury out of the

account, together with interest until the date of repayment at a rate determined by the Secretary of the Treasury taking into consideration the average market on long-term obligations of the United States during the fiscal year in which such appropriations are made. The Secretary shall repay such appropriation together with interest within thirty years from the time at which such appropriations become available for expenditure after the date of enactment of this Act, and no appropriations to the Secretary are authorized to carry out the purposes of titles III and IV (except section 406) unless the amounts appropriated are deposited into the account established in section 501(a).

TITLE VI—STATE ROLE IN NUCLEAR WASTE REPOSITORY SITING

APPLICATION

SEC. 601. (a) The provisions of this title shall not apply to the transportation, management, or disposal of spent fuel or radioactive waste from atomic energy defense activities of the Secretary or Federal research and development activities.

(b) Any facility established or operated exclusively for the disposal of spent fuel or radioactive waste produced by atomic energy defense activities of the Secretary or Federal research and development activities shall not be subject to the provisions of this title.

COOPERATIVE AGREEMENT

SEC. 602. (a) The Secretary shall identify the States with one or more potentially acceptable sites for a repository, including test disposal of high-level or transuranic wastes. Within ninety days of such identification, or within ninety days of enactment of this Act, the Secretary shall notify the Governor, the State legislature, and the Tribal Council of any affected Indian tribe in any affected State of the potentially acceptable sites within each State.

(b) Each State and Indian tribe notified under subsection (a) shall have the right to participate in a process of consultation and concurrence, based on public health and safety concerns, in all stages of the planning, siting, development, construction, and operation of a repository. The Secretary shall promptly enter into negotiations with each such State and Indian tribe to establish a cooperative agreement under which the State and Indian Tribe may exercise such right. Public participation in the negotiation of such agreement shall be provided for and encouraged by the Secretary, the States and the Indian tribes. The Secretary, in cooperation with the States and Indian tribes, shall develop and publish minimum guidelines for public participation in such negotiations, but the adequacy of such guidelines or any failure to comply with these guidelines shall not be a basis for judicial review.

(c) The cooperative agreement may include, but need not be limited to, the sharing in accordance with applicable law of all technical and licensing information, the utilization of available expertise, the facilitating or permitting procedures, joint project review, and the formulation of joint surveillance and monitoring arrangements to carry out applicable Federal and State laws. Such cooperative agreement shall provide procedures for resolving objections of the State and Indian tribe in any stage of the planning, siting, development, construction or operation of such a facility within the State: *Provided, however*, That any such agreement shall not affect the Commission's authority under existing law.

(d) For the purpose of this title the term "process of consultation and concurrence" means a methodology by which the Secretary (1) keeps a State or Indian tribe fully and currently informed about the aspects of the project related to any potential impact on the public health and safety, (2) solicits, receives, and evaluates concerns and objections of the State or Indian Tribe with regard to such aspects of the project on an ongoing basis, and (3) works diligently and cooperatively to resolve such concerns and objections.

(e) The Secretary, the State and, as the case may be, the Indian Tribe shall seek to conclude the agreement under subsection (b) not later than one year after the date of notification under subsection (a). The Secretary shall report to the Congress annually thereafter on the status of efforts to resolve objections under any agreement approved under subsection (c). Any report to the Congress on the status of negotiations under subsection (b) or the agreement under subsection (c) by the Secretary shall be accompanied by comments solicited by the Secretary from the State and, as the case may be, the Indian Tribe.

SEC. 603. (a) In carrying out the provisions of sections 401 through 405 with regard to any safe repository for the permanent disposal of spent fuel and high-level radioactive waste from civilian nuclear activities which repository is or may be proposed by the Secretary under such sections for subsequent construction authorization by Congress, or any safe repository so proposed, the construction of which has been authorized by Congress, the Secretary shall—

(1) as soon as practicable, but prior to initiation of any onsite investigation in any State, notify the Governor, the legislature of such State and any affected Indian Tribe in writing of his intention to initiate such investigation;

(2 during the course of investigation of any site, keep the Governor, the legislature and any such Tribe currently informed of the progress of work and of results of the investigation;

(3) at the time of selection by the Secretary of any site for such a safe repository, but prior to undertaking any site-specific design work, promptly notify the Governor, the legislature and the Tribe in writing of such selection;

(4) throughout the course of any subsequent design work and site verification activities provide continuing access to designees of the Governor and the Tribe to the design and other information developed which the Secretary determines is relevant and provide opportunity for review and comment by the Governor and the Tribe from time to time during such work and activities: and

(5) notify the Governor, the legislature and the Tribe in writing at least ninety days prior to formal application by the Secretary to the Commission for a construction permit for such safe repository.

(b) To the extent practicable, actions of the Secretary under this section shall be consistent with any agreements concluded under section 602 between the Secretary and such State and Tribe.

(c) If at any time after the Governor or an affected Indian Tribe has received notice of site selection, but no later than ninety days after receipt of notice under subsection (a) of intent to file an application for a construction permit with the Commission, the Governor or the Indian Tribe notifies the Secretary in writing of objections to the proposed safe repository, the Secretary shall suspend further site-specific activities on such repository and promptly transmit such objections together with the Secretary's comments and recommendations to the Congress and the President.

(d) If the President determines that—

(1) a safe repository which is the subject of a notification under subsection (c) is essential to the national interest and

(2) the concerns of the State and, as the case may be, the Indian tribe, have been addressed to an extent sufficient for the Secretary to apply to the Commission for a license to construct such repository,

the President shall submit a statement to that effect to the Congress under procedures set forth in section 551 of the Energy Policy and Conservation Act (42 U.S.C. 6521). Any determination by the President under this subsection shall not be subject to judicial review. Such statement shall be subject to review as if it were an "energy action" under such section 551. The Secretary may continue activities on the facility referred to in subsection (c) on the 60th day after the submission of such statement unless one House of Congress enacts a disapproval resolution under 42 U.S.C. 6421.

(e)(1) For purposes of this section any reference in 42 U.S.C. 6461 to a period of

(A) 15 calendar days shall be considered to be a reference to 60 calendar days; and

(B) 5 calendar days shall be considered to be a reference to 20 calendar days.

(2) For purposes of this section any reference in 42 U.S.C. 6461 to a "resolution" shall mean only a resolution of either House of Congress described in subparagraph (A) or (B) of this paragraph.

(A) A resolution of the matter after the resolving clause of which is as follows: "That the ——— does not believe that the proposed development of a repository at ——— within the State of ——— referred to in the statement transmitted to Congress by the President on ——— sufficiently addresses the concerns of such State and any affected Indian Tribe within such State".

(B) A resolution the matter after the resolving clause of which is as follows: "That the ——— believes that the proposed development of a repository at ——— within the State of ——— referred to in the statement transmitted to Congress by the President on ——— sufficiently addresses concerns of such State or any affected Indian tribe within such State".

The first blank space of any such resolution shall be filled with the name of the resolving House, and the other blank spaces shall be appropriately filled.

(f) For purposes of this section the term "affected Indian Tribe" means an Indian Tribe upon whose reservation a repository will be sited.●

By Mr. BENTSEN:

S. 638. A bill to amend the Internal Revenue Code of 1954 to allow individuals to compute the amount of the deduction for payments into retirement savings on the basis of the compensation of their spouses, and for other purposes; to the Committee on Finance.

HOMEMAKERS IRA BILL

● Mr. BENTSEN. Mr. President, I rise today to introduce a bill with an important dual purpose—to meet the social goal of greater retirement security and to advance the economic objective of increased savings and investment. I propose the homemakers, who make an invaluable economic contribution to the welfare of our country, be eligible to provide for their own retirement to the establishment of individual retirement accounts, at the same $1,500 contribution rate currently available for a working spouse.

Under present law, wage earners who do not participate in another retirement plan may receive a tax deferral from IRA contributions equal to the lesser of 15 percent of earned income or $1,500. The IRA limit is $1,750 at the wage earner who himself is eligible to establish an IRA elects to set up a spousal IRA. The homemaker retirement bill will allow the

homemaker to set up an IRA regardless of the type of retirement plan, if any, the working spouse has. It would permit the annual contribution of up to $1,500 by the homemaker and the working spouse each, for maximum contribution of $3,000—in lieu of the current maximum $1,750 spousal contribution.

This is a very simple proposal for individuals to understand and for the IRS to administer. The bill merely extends the numbers of individuals currently eligible to establish an IRA. It is not a complex tax exemption. IRA's provide tax deferral until the money is taken out at the time of retirement.

Mr. President, financial security in retirement will become increasingly difficult to achieve in the years to come. By the turn of the century, 13 percent of our population will be over age 65. Older persons are living longer, retiring earlier and becoming increasingly dependent upon retirement income programs. At the same time, the declining birth rate will mean fewer workers supporting more beneficiaries in the social security system.

In 1935 there were nine workers for every aged person. In 1977 the worker-to-age ratio was 4 to 1, and there were three workers for every social security beneficiary. By the year 2030 there will be two workers for every one beneficiary. It is easy to see that the social security system cannot take this kind of overload. The economic crunch that limited resources and expanding costs—is already upon us.

One way to ease the burden on the system is to enable an encouraged person to provide for their own retirement. It was with this idea in mind that Congress included the Employee Retirement Income Security Act of 1974 (ERISA) provisions which would have allowed individuals not participating in qualified private or governmental programs to set up their own retirement plans. The homemaker retirement bill will extend the rationale of this provision to enable an important group of individuals with no current means of providing for their retirement to do so—the 30 to 50 million American homemakers are rapidly approaching retirement age without any type of retirement plan.

These individuals have devoted many years of self-sacrificing unpaid work toward the welfare of the family. These homemakers often face financial crisis when confronted with an untimely death of the working spouse before retirement age, a dissolved marriage, or old age with only minimum social security benefits for their support. I feel that it is about time we recognized the contributions of these hard-working homemakers and give them the opportunity that they have earned to provide for their own retirement security.

I have long argued that our present tax system is biased against savings. We need to constantly be looking for ways to encourage savings which provide a greater source of capital for the investment needed to promote economic growth and boost productivity. This simple and equitable IRA eligibility extension is one such option. The average American should have the opportunity to invest in an easily understandable, fully vested retirement plan which will in turn generate much needed capital flow into the economy.

Finally, Mr. President, I feel that it is about time that homemakers were given equal treatment under ERISA. Though they do not work for wages, the Nation's homemakers do very real work with very long hours. It is about time that we recognized the economic value of their labor. Homemakers, like the self-employed and those whom employment does not offer a retirement plan deserve and require the opportunity to provide for financial security in old age. They should not have to rely on uncertain survival benefits, dwindling social security funds, or welfare.

The homemakers retirement bill encourages these individuals to take independent action to establish their own retirement funds, thus providing them with the means to live their later years in the dignity and the self-respect which is rightfully theirs.●

By Mr. PACKWOOD (for himself and Mr. BENTSEN):

S. 639. A bill to amend the Internal Rvenue Code of 1954 with respect to the income tax treatment of incentive stock options; to the Committee on Finance.

INCOME TAX TREATMENT OF INCENTIVE STOCK OPTIONS

● Mr. PACKWOOD. Mr. President, Senator BENTSEN and I are today introducing legislation which would create a new category of stock options called "incentive stock options."

This bill is substantially the same as was approved by the Senate Finance Committee in September 1980 as an amendment to the tax reduction of 1980 (H.R. 5829). That bill died at the end of the 96th Congress.

This new class of stock options features those provisions, taken from both the pre-1964 laws governing restricted stock options and the later qualified options, which offer the greatest incentives and safeguards. This bill promotes productivity by restoring a valuable form of noncash compensation that both lowers labor costs and resulting product prices while motivating superior performance by employees. It would give more people a vested interest in their firm and enable small, growing companies to compete with large, established corporations in attracting top-caliber employees.

THE PRODUCTIVITY PROBLEM

In the past decade, the United States has experienced a serious and steady decline in its productivity growth rate. It has become clear that this drop is not a temporary aberration or a cyclical phenomenon. The economic implications of lagging productivity growth make it essential for Congress to act to reverse this trend.

The move to stimulate the supply of resources and output in the economy received a boost in 1978. After years of consumption-oriented tax measures, 1978 saw Congress focus on a tax policy designed to stimulate economic growth and capital formation. This was an excellent beginning. But as the Joint Economic Committee recently concluded:

> Some of the tax changes in the Revenue Act of 1978 will stimulate investment. But these are not sufficient.

Incentive stock options allow a further step in the direction of greater productivity growth by making it easier for new companies to start up and grow.

ROLE OF SMALL BUSINESS

Small growing companies provide more than their share of technological innovation and job growth. They can continue to contribute this sort of economic dynamism, however, only if they are successful in attracting and motivating highly talented employees.

Incentive stock options significantly improve the ability of young companies to compete successfully for capable individuals. These smaller businesses are often unable to offer the job security or the salary levels that are available in larger corporations. But since the stock of smaller companies often grows at a more rapid pace than larger companies, stock options in these businesses can be extremely attractive, thereby providing an incentive for talented individuals to risk their careers in the uncertainties of a new venture.

LEGISLATIVE HISTORY

In the past, there has been some degree of controversy over stock options. Until the early sixties, companies could offer such incentives in the form of restricted stock options. In 1963, the Kennedy administration recommended that these provisions be repealed. The administration argued that since individuals were taxed on personal service income at rates up to 92 percent, but long-term capital gains were taxed at only 25 percent, stock options allowed too much conversion of ordinary income into capital gains. Congress first limited the value of options, creating the "qualified stock option" in 1964, then phased out all stock option preferences in 1976.

Today, circumstances are considerably different. Changes in the Tax Code have drastically reduced the sheltering effects of stock options. The maximum tax rate on personal service income is now 50 percent and the capital gains rate, as a result of actions taken last year, now stands at a maximum of 28 percent. As I will explain in more detail later, the effect of the change is that stock options now can be reinstated at no net cost to the Treasury. In fact, a revenue gain will result after the first couple of years following enactment of the bill.

EXPLANATION OF PROVISIONS

Current tax law authorizes only so-called nonqualified options. When employees exercise these options, they must pay income tax—at ordinary income rates—on the paper profit (or "spread") between their option price and the market price when they buy. This cost and risk of loss on a "profit" never realized has forced most companies to turn from stock options to straight cash compensation and stock purchase plans. These cost companies more and motivate employees less.

This bill creates a new category of stock options called incentive stock options. It incorporates what we believe to be the best features and safeguards of both the "pre-64" restricted option and the later qualified options. Employees would not be required to pay tax at the time they exercise these options. Since any spread would not be treated as personal service income to the employee at the time of exercise, the company would not be able to deduct it as compensation. The employee could then be eligible for capital gain treatment when the stock is sold. As under present law, the employer would not have a deduction at the time the employee sells the stock.

In order to be treated as an incentive stock option plan, the following rules must be met:

First. The option must be issued at 100 percent of its fair market value. However, if a goodfaith effort is made to issue the stock at not less than its fair market value, but it is later determined to be undervalued, the option will still be treated as an incentive stock option. This provision helps avoid the imposition of drastic consequences on employees as a result of inadvertent undervaluation of the stock by the employer.

Second. The option can be exercised up to 10 years after issuance, as with restricted stock options. Rules for qualified options allowed only 5 years.

Third. Shareholder approval is required, as in the case of qualified stock options.

Fourth. As was true for restricted options, employees would be permitted to exercise the options in any sequence. Qualified options rules required options to be exercised in the order granted.

Fifth. To qualify for long-term capital gain treatment, the employee would be required to hold the stock 2 years after the company had granted the option and 1 year after the employee had exercised the option. This is similar to rules governing restricted stock options. If the stock is sold within 2 years, ordinary income would be realized up to the lesser of the gain or the spread between the option price and the value of the stock at the time of exercise, as with qualified options.

Sixth. Similar to qualified options, the optionee must be an employee continuously from grant to 3 months prior to exercise.

Seventh. At grant, the employee may not own more than 10 percent of the voting power or value of the stock of the company, unless the option price is at least 110 percent of the fair market value. This is similar to the rules for restricted options. In contrast, qualified stock guidelines did not permit the employee to own more than 10 percent of the voting power or stock value if the equity capital is $1 million or less, decreasing to 5 percent of the equity capital is $2 million or over.

Eighth. As with both restricted and qualified options, options issued would not be transferrable other than at death and would be exercisable during the employee's lifetime only by the employee.

The Packwood-Bentsen bill makes three changes in the bill as introduced in 1980 (S. 2239).

First, as approved by the Senate Finance Committee on a motion by Senator BILL BRADLEY. The bill applies to options exercised after the effective date. However, a modification is made in the Bradley amendment. Specifically, the bill applies to:

First. Qualified options exercised after the effective date; and

Second. Other options—meeting the requirements of this bill—exercised after the effective date, unless the company elects for the option to not be entitled to these provisions. This election must be made within 6 months after enactment, and may be revoked only with permission of the Internal Revenue Service.

Third. There has been some question about the effect of stock appreciation rights—or other rights to cash payments concurrent with exercise of a stock option—on the entitlement of a plan to treatment as a qualified stock option. This bill raises no inference about this issue. However, the bill permits companies to modify or delete these features within 6 months after the date of enactment if they so choose.

Fourth. The bill clarifies that the employee may pay for the stock subject to the option with stock of the company granting the option.

REVENUE EFFECT

As I stated briefly before, such stock options can be reinstated at no net cost to the Federal Government. In 1980, the Joint Committee on Taxation determined that the bill, after possible minuscule revenue losses in the first 3 years after its enactment, will result in a revenue gain. For example, the Joint Committee estimated that the revenue increase would approximate $15 million in fiscal year 1984 and $30 million in fiscal year 1985.

We look forward to working with other Senators, the Department of the Treasury and the public to consider any improvements in this important piece of legislation.

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

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

S. 639

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) Part II of subchapter D of chapter 1 of the Internal Revenue Code of 1954 (relating to certain stock options) is amended by adding after section 422 the following new section:

"SEC. 422A. INCENTIVE STOCK OPTIONS.

"(a) IN GENERAL.—Section 421(a) shall apply with respect to the transfer of a share of stock to an individual pursuant to his exercise of an incentive stock option if—

"(1) no disposition of such share is made by him within 2 years from the date of the granting of the option nor within 1 year after the transfer of such share to him, and

"(2) at all times during the period beginning on the date of the granting of the option and ending on the day 3 months before the date of such exercise, such individual was an employee of either the corporation granting such option, a parent or subsidiary corporation of such corporation, or a corporation or a parent or subsidiary corporation of such corporation issuing or assuming a stock option in a transaction to which section 425 (a) applies.

"(b) INCENTIVE STOCK OPTION.—For purposes of this part, the term 'incentive stock option' means an option granted to an individual for any reason connected with his employment by a corporation, if granted by the employer corporation or its parent or subsidiary corporation, to purchase stock of any of such corporations, but only if—

"(1) the option is granted pursuant to a plan which includes the aggregate number of shares which may be issued under options and the employees (or class of employees) eligible to receive options, and which is approved by the stockholders of the granting corporation within 12 months before or after the date such plan is adopted;

"(2) such option is granted within 10 years from the date such plan is adopted, or the date such plan is approved by the stockholders, whichever is earlier;

"(3) such option by its terms is not exercisable after the expiration of 10 years from the date of such option is granted;

"(4) the option price is not less than the fair market value of the stock at the time such option is granted;

"(5) such option by its terms is not transferable by such individual otherwise than by will or the laws of descent and distribution, and is exercisable, during his lifetime, only by him; and

"(6) such individual, at the time the option is granted, does not own stock possessing more than 10 percent of the total combined voting power of all classes of stock of the employer corporation or of its parent or subsidiary corporation.

Paragraph (6) shall not apply if at the time such option is granted the option price is at least 110 percent of the fair market value of the stock subject to the option and such option by its terms is not exercisable after the expiration of 5 years from thte date such option is granted.

"(c) SPECIAL RULES.—

"(1) EXERCISE OF OPTION WHEN PRICE IS LESS THAN VALUE OF STOCK.—If a share of stock is transferred pursuant to the exercise by an individual of an option which would fail to qualify as an incentive stock option under subsection (b) because there was a failure in an attempt, made in good faith, to meet the requirement of subsection (b) (4), the requirement of subsection (b) (4) shall be considered to have been met.

"(2) CERTAIN DISQUALIFYING DISPOSITIONS WHERE AMOUNT REALIZED IS LESS THAN VALUE AT EXERCISE.—If—

"(A) an individual who has acquired a share of stock by the exercise of an incentive stock option makes a disposition of such share within the 2-year period described in subsection (a) (1), and

"(B) such disposition is a sale or exchange with respect to which a loss (if sustained) would be recognized to such individual.

then the amount which is includible in the gross income of such individual, and the amount which is deductible from the income of his employer corporation, as compensation attributable to the exercise of such option shall not exceed the excess (if any) of the amount realized on such sale or exchange over the adjusted basis of such share.

"(3) CERTAIN TRANSFERS BY INSOLVENT INDIVIDUALS.—If an insolvent individual holds a share of stock acquired pursuant to his exercise of an incentive stock option, and if such share is transferred to a trustee, receiver, or other similar fiduciary in any proceeding under title 11 of any other similar insolvency proceeding, neither such transfer,

nor any other transfer of such share for the benefit of his creditors in such proceeding, shall constitute a disposition of such share for purposes of subsection (a)(1).

"(4) STOCK MAY BE PAID FOR WITH EMPLOYER STOCK.—The employee may pay for the stock with money or other property (including stock of the corporation granting the option).

"(5) COORDINATION WITH SECTIONS 422 AND 424.—Sections 422 and 424 shall not apply to an incentive stock option.".

(b) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 421 of such Code (relating to general rules in the case of stock options) is amended—

(A) by inserting "422A(a)," after "422(a)," in subsections (a), (b), and (c)(1)(A), and

(B) by inserting "422A(a)(1)," after "section 422(a)(1)," in subsection (b).

(2) Section 425(d) of such Code (relating to attribution of stock ownership) is amended by inserting "422A(b)(6)," after "422(b)(7),".

(3) Section 425(g) of such Code (relating to special rules) is amended by insertng "422 A(a)(2)," after "422(a)(2),".

(4) Section 425(h)(3)(B) of such Code (relating to definition of modification) is amended by inserting "422A(b)(5)," after "422(b)(6),".

(5) Section 6039 of such Code (relating to information required in connection with certain options) is amended—

(A) by inserting ", an incentive stock option," after "qualified stock option" in subsection (a)(1),

(B) by inserting "incentive stock option," after "qualified stock option," in subsection (b)(1), and

(C) by adding at the end of subsection (c) the following new paragraph:

"(4) The term 'incentive stock option', see section 422A(b).".

(6) The table of sections for part II of subchapter D of chapter 1 of such Code is amended by inserting after the item relating to section 422 the following new item:

"Sec. 422A. Incentive stock options.".

SEC. 2. EFFECTIVE DATES AND TRANSITIONAL RULES.

(a) The amendments made by section 1 shall apply with respect to—

(1) options granted atfer December 31, 1980,

(2) Qualified options (within the meaning of sec. 422) granted on or before December 31, 1980, which are exercised after such date, and

(3) Other options granted on or before December 31, 1980, which are exercised after December 31, 1980.

Paragraph (3) shall apply to an option unless the corporation granting such option elects to have the amendments made by section 1 not apply. Such election must be made not later than six months after the date of enactment of this Act. Such an election, once made, may be revoked only with the consent of such Secretary or his delegate.

(b) In the case of an option granted before January 1, 1982, paragraph (1) of section 425(h) of such Code shall not apply to any change in the terms of such option made before not more than six months after the date of enactment of this Act to permit the plan to modify or delete a stock appreciation right or other rights to cash payments concurrent with exercise of the option.●

● Mr. BENTSEN. Mr. President, I am pleased to join my colleague from Oregon (Mr. PACKWOOD), in sponsoring the Employees Incentive Stock Ownership Act which will reinstate restrictive stock options as an attractive form of cooperate compensation.

This bill will have a positive impact on providing stability in corporate management. In today's market the longevity of top management personnel with any one company has steadily declined. With so-called headhunters bidding to acquire top management this is not a surprising development. Thus job hopping has become more the rule than the exception that it was in years past. Job hopping can be detrimental because it places emphasis on year-to-year profits and losses and encourages management to put off making the tough, long-term decisions necessary to insure the success of the company in the future. If we are to expect management to make the expenditures necessary for the kinds of research and development of technology needed to make the United States competitive throughout the world in future years, we must provide management with the incentives to stay for the long haul. This bill will help provide that stimulus.

Our bill has substantial positive economic effect as well as positive revenue effect. Incentive stock options promote productivity and combat inflation, improve the ability of growth companies to attract talented employees, promote capital formation and broaden the base of corporate ownership.

The issuance of incentive stock options would provide employees with an entrepreneurial stake in finding better ways to do the job. The stock option only has value to the employee if the price of the company stock increases through growth in its sales and profits. Therefore, options give employees a powerful incentive to find ways to expand the company's business and conduct business more efficiently. Business growth creates more jobs; increased efficiency results in greater productivity. Further, because incentive stock options are a form of noncash compensation, granting them causes no out-of-pocket expense to the corporation. Lowering a company's "up front" labor costs in this way results in improved cash flow for the company and can result in lower product price and thereby reducing inflationary pressures.

Incentive stock options will help small, growing companies attract talented employees. This fact was recognized by the White House Conference on Small Business which endorsed the restoration of favorable tax treatment of stock options as one of its key recommendations to promote innovation in small businesses. Young companies frequently have difficulty competing in a job market for talented managers and scientists. Studies have shown repeatedly that small, highly technological companies grow faster and create more jobs than mature industries. As a result, their equity value also increases more rapidly, making stock options in these smaller companies more attractive than options in more mature companies. The stock options give small companies an advantage in attracting talented employees.

The exercise of stock options provides additional equity capital for companies, as well as bringing new shareholders into the company.

Mr. President, under present law when an employee exercises nonqualified options, he must pay taxes, at the ordinary income tax rate, on the profits between his option price and the prices of the stock when he buys it. Not only is taxation at ordinary tax rate inconsistent with what other owners pay on our capital appreciation, but in addition the employee must pay the tax before he actually realizes any gain from selling the stock. This is comparable to taxing the appreciation on a homeowner's house before he sells it.

Further hardships will result if the value of the stock acquired by means of an option should decline sharply before the employee desires to sell it. Under those circumstances the employee must not only take an actual loss on the stock, the deductibility of which is subject to capital loss provisions, but he also must pay taxes at ordinary income rates on a gain he never realized.

The cost of compensation from incentive stock options is borne, indirectly, by the existing shareholders through mild dilution of their shares. The shareholder, in turn, benefits from the increased value of their shares that result from the higher productivity of the company's employees. The company, and its shareholders, must elect to issue the incentive stock options; the cost of their issuance is no longer a deductible expense. As a result, the issuance of incentive stock options results in a net revenue gain.

In the last Congress the Joint Committee on Taxation, after examining the impact of a similar bill, estimated, that after 6 years of existence, it will result in a net revenue gain of $35 million. Thus in effect, Mr. President, the companies seeking to issue these stock options are offering to pay a higher tax so that they can offer the incentives necessary for a healthy business environment. We should not ignore this request.

I believe that the above evidences that incentive stock options make good economic sense and strong revenue sense. The importance of this legislation was recognized by the Senate Finance Committee when it included it in the Tax Reduction Act of 1980.

In addition to our studying incentive stock option plans I would also encourage the Senate Finance Committee, the Joint Tax Committee, and the Treasury Department to carefully review the concept of restrictive stock incentive plans, to determine whether these types of plans would also accomplish the objective of the stock option plans. Restrictive incentive stock plans are geared at providing employees an immediate proprietary interest in a company and therefore greater incentives to maximize work effort and increase company productivity. I believe that the Senate Finance Committee should carefully review this concept when we begin deliberation on the question of the stock options. I look forward to working with Senator PACKWOOD, and urge my other colleagues in the Senate to join us, on working on legislation that will help the United States regain its preeminent position in world productivity.●

ADDITIONAL COSPONSORS

S. 12

At the request of Mr. BAKER, the Senator from Indiana (Mr. LUGAR) was added as a cosponsor of S. 12, a bill to amend the Internal Revenue Code of 1954 to allow a retirement savings deduction for persons covered by certain pension plans.

S. 24

At the request of Mr. BAKER, the Senator from Indiana (Mr. LUGAR) was added as a cosponsor of S. 24, a bill to amend the Internal Revenue Code of 1954 to provide for the establishment of, and the deduction of contributions to, education savings accounts and housing savings accounts.

S. 43

At the request of Mr. SASSER, the Senator from Wyoming (Mr. SIMPSON) was added as a cosponsor of S. 43, a bill to amend the Congressional Budget Act of 1974 to require the Director of the Congressional Budget Office to prepare and submit, for every bill or resolution reported in the House or the Senate which has certain specific economic consequences, an estimate of the cost which would be incurred by State and local governments in carrying out or complying with such bill or resolution.

S. 46

At the request of Mr. THURMOND, the Senator from Texas (Mr. TOWER), and the Senator from Hawaii (Mr. MATSUNAGA) were added as cosponsors of S. 46, a bill to amend title 5 of the United States Code to permit present and former civilian employees of the Government to receive civil service annuity credit for retirement purposes for periods of military service to the United States as was covered by social security, regardless of eligibility for social security benefits.

S. 63

At the request of Mr. RANDOLPH, the Senator from Wyoming (Mr. SIMPSON) was added as a cosponsor of S. 63, a bill to amend the Clean Air Act to provide compliance date extensions for steelmaking facilities on a case-by-case basis to facilitate modernization.

S. 131

At the request of Mr. INOUYE, the Senator from North Carolina (Mr. HELMS) was added as cosponsor of S. 131, a bill to incorporate the Pearl Harbor Survivors Association.

S. 164

At the request of Mr. MELCHER, the Senator from Minnesota (Mr. BOSCHWITZ) was added as a cosponsor of S. 164, a bill to prohibit proposed regulatory increases in imputed interest rates for tax purposes on loans between related entities and on deferred payments in the case of certain sales of property.

S. 290

At the request of Mr. MELCHER, the Senator from Hawaii (Mr. INOUYE), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Florida (Mr. CHILES), the Senator from Arizona (Mr. DECONCINI), the Senator from Ohio (Mr. GLENN), the Senator from Ohio (Mr. METZENBAUM), the Senator from Maryland (Mr. SARBANES), the Senator from New York (Mr. MOYNIHAN), the Senator from West Virginia (Mr. RANDOLPH), and the Senator from Montana (Mr. BAUCUS) were added as cosponsors of S. 290, a bill entitled "Reye's Syndrome Act of 1981."

S. 396

At the request of Mr. DANFORTH, the Senator from Louisiana (Mr. LONG) was added as a cosponsor of S. 396, a bill to impose quotas on the importation of automobiles from Japan during 1981, 1982, and 1983.

S. 421

At the request of Mr. DECONCINI, the Senator from Wisconsin (Mr. PROXMIRE) was added as a cosponsor of S. 421, a bill to provide for reductions for fiscal year 1982 in obligations by the departments, agencies, and establishments of the executive branch of the Government.

S. 480

At the request of Mr. MELCHER, the Senator from North Dakota (Mr. BURDICK) was added as a cosponsor of S. 480, a bill to provide price and income protection for farmers and assure consumers of an abundance of food and fiber at reasonable prices, and for other purposes.

S. 495

At the request of Mr. THURMOND, the Senator from Iowa (Mr. JEPSEN) was added as a cosponsor of S. 495, a bill to amend section 3(i) of the Food Stamp Act of 1977, relating to the definition of the term "household", to prevent the splitting of a household for the purpose of qualifying as two or more households under such act.

SENATE JOINT RESOLUTION 38

At the request of Mrs. KASSEBAUM, the Senator from Montana (Mr. MELCHER), the Senator from Idaho (Mr. MCCLURE), the Senator from South Carolina (Mr. THURMOND), the Senator from Maryland (Mr. SARBANES), the Senator from Wisconsin (Mr. KASTEN), the Senator from Mississippi (Mr. COCHRAN), and the Senator from Massachusetts (Mr. KENNEDY) were added as cosponsors of Senate Joint Resolution 38, a joint resolution to provide for designation of the first Friday of March as "Teacher Day, United States of America."

ORDER FOR STAR PRINT—SENATE 441

Mr. STEVENS. Mr. President, I ask unanimous consent that S. 441 be reprinted to reflect a change in wording that was inadvertently not included in the bill as introduced on February 6.

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

SENATE RESOLUTION 87—RESOLUTION RELATING TO TAXATION OF SOCIAL SECURITY BENEFITS

Mr. HEINZ (for himself, Mr. CHILES, Mr. GRASSLEY, Mr. PRESSLER, Mr. COHEN, Mr. PERCY, Mr. MELCHER, Mr. PRYOR, Mr. GLENN, Mr. BURDICK, Mr. BRADLEY, Mr. DODD, Mr. PACKWOOD, Mr. DOLE, Mr. CANNON, Mr. WILLIAMS, Mr. MOYNIHAN, Mr. MITCHELL, Mr. SASSER, Mr. GARN, Mr. LEVIN, Mr. SARBANES, Mr. ROTH, Mr. SIMPSON, Mr. SYMMS, Mr. HARRY F. BYRD, JR., Mr. MATSUNAGA, Mr. BENTSEN, Mr. RIEGLE, and Mr. PROXMIRE) submitted the following resolution; which was referred to the Committee on Finance:

S. RES. 87

Whereas social security was established to protect the income of Americans against the serious economic risks that families face upon retirement, disability, and death; and

Whereas social security provides a monthly payment to some 35,000,000 beneficiaries; and

Whereas various bodies have recommended that social security benefits be included in taxable income for Federal income taxes; and

Whereas for the people affected, taxing of social security benefits would be tantamount to a cut in benefit payments; and

Whereas 25 percent of the elderly—even with social security—are near or below the poverty level and all Americans are suffering the effects of inflation; and

Whereas 50 percent of all older women have median incomes below the poverty level and average monthly benefits of women receiving social security are only $2,216 per year; and

Whereas the overall incomes of the elderly have not kept pace with inflation and the cost of basic necessities such as fuel, food and medical care have risen faster than the rate of inflation; and

Whereas the prospect of taxation of benefits has alarmed many older Americans and undermined the confidence of all Americans in the integrity of the social security program: Now, therefore, be it

Resolved, That it is the sense of the Senate that any proposals to make social security benefits subject to taxation would adversely affect social security recipients and undermine the confidence of American workers in the social security programs, that social security benefits are and should remain exempt from Federal taxation, and that the Ninety-seventh Congress will not enact legislation to subject social security benefits to taxation.

● Mr. HEINZ. Mr. President, today, I am introducing a resolution expressing a position which is shared by many of my colleagues on the Special Committee on Aging, the Finance Committee, and, indeed, in the entire Senate. This resolution reaffirms our longstanding policy that social security benefits should not be taxed and that the 97th Congress will not enact legislation to subject these benefits to Federal taxation. I am pleased that I have been joined in sponsoring this resolution by Senator LAWTON CHILES of Florida and several of my colleagues on the Special Committee on Aging. As chairman and ranking minority member of the committee, Senator CHILES and I are acutely aware of the continuing fear of social security recipients that their benefits will suddenly be subject to taxation. We are also aware that total retirement income is less than adequate for a large number of our older citizens.

Many of those who would be affected are already struggling to keep up with the cost of basic necessities. Elderly households spend a disproportionate amount of their income on food, utilities, fuel, and medical care. Furthermore, prices for these items have increased at a rate faster than the Consumer Price Index. Despite the indexing of social security benefits, overall elderly incomes have not kept pace with inflation. Taking away in taxation what has already been given in benefits is actually a reduction

of benefits—however we may try to disguise it.

In addition, any decision to tax current benefits would be grossly unfair to those who have planned their retirement with the expectation of a tax-free social security benefit. These persons do not have the opportunity to acquire additional insurance protection or a larger annuity, or to accrue more personal savings. They may not be able to alter their choice of living arrangement or delay retirement for a year or two. The result could be devastating regardless of how well they had planned for their retirement income.

Our citizens are already burdened by heavy taxes. At a time when we are seeking ways to alleviate some of this tax burden, it is unwise and inconsistent to increase taxes for those on limited incomes. Furthermore, the elderly, even without taxes on social security, pay a substantial portion of the total Federal income taxes collected by the IRS. Persons over 65 years of age, who constitute 11 percent of the total population, pay 10 percent of all personal income taxes.

The need for reform to insure social security's financial soundness is well known to all of us in Congress and increasingly to the American public as well.

The Old Age and Survivors Insurance Trust Fund, which covers benefits for retirees, their dependents and survivors, is facing a critical cash flow problem beginning early in 1982. In addition, economic and demographic predictions indicate an even more serious long-range financing problem.

In such a time of crisis, it is necessary that we examine every possible alternative for insuring that the social security system can fulfill its promise to current and future beneficiaries.

Proposals such as those of the President's Commission on Pension Policy, to apply the same tax treatment to social security as to other retirement programs, and to implement them prospectively, certainly deserve careful evaluation. At the same time, we must make certain that aftertax benefit levels can be maintained, that the tax treatment of contributions enables increased personal savings for retirement, and that there are not other changes which result in benefit reduction.

Above all, we should not adopt any plan to tax any portion of benefits out of expediency because it is simple or because it offers a quick fix to our financing problems.

No proposal should be enacted in the absence of a comprehensive reform package or without full examination of its impact on recipient of social security at all income levels.

We simply cannot, should not, and, I hope, will not adopt any plan for taxing benefits which would take place immediately.

Social security is the cornerstone of our Nation's retirement income system. About 93 percent of Americans over the age of 65 are receiving social security benefits, and for two-thirds of them, it is their major source of income. The taxation of any part of these benefits, when coupled with inflation, could be a serious financial burden on elderly households which are struggling to make ends meet.

This resolution is an important action which we can take at this time to reassure these citizens that they do not face a sudden, unexpected loss of income.●

EXEMPTING SOCIAL SECURITY BENEFITS FROM FEDERAL TAXATION

● Mr. CHILES. Mr. President, today Senator HEINZ and I, as chairman and ranking minority member of the Special Committee on Aging, are submitting a resolution expressing the sense of the U.S. Senate that social security benefits should not be subject to Federal taxation.

We are all well aware that the social security system needs a major overhaul if it is to continue on a sound basis. As chairman of the Committee on Aging during the last Congress, I held a series of hearings on social security to explore the options available to insure the integrity of the system.

I found that there are answers to the problems, and I believe we can, and will, put social security on a sound footing again. I have introduced a comprehensive reform bill, S. 484, which will move a long way toward returning the social security system to its original purpose of guaranteeing a base retirement income for older Americans. The approach I advocate would initiate a series of actions to solve the short term cash flow problems in the social security trust funds, and begin making reforms in the next century which will guarantee the long-range integrity of the trust funds for future retirees. My bill also encourages greater work and income opportunities for older persons.

Simply subjecting all or part of social security benefits to a Federal income tax is not a solution to the short or long-range funding problems of the social security trust funds. Very little additional revenue would be generated, yet any taxation would be felt very keenly by millions of social security recipients.

By acting on this resolution, the Senate can express its support for the crucial goal of preserving current social security retirement benefits, and I urge all my colleagues to join with us now.●

● Mr. PERCY. Mr. President, I commend the distinguished chairman of the Special Committee on Aging and the ranking minority member, Senators HEINZ and CHILES, for bringing this important resolution to the floor of the Senate. As a member of the Aging Committee, I am proud to join them in this effort to allay the fears of millions of older Americans with this resolution stating that the 97th Congress will not enact legislation to tax social security benefits.

Taxation of benefits for current retirees makes no sense, and this resolution will put the U.S. Senate clearly on record in opposition to such a measure.

Mr. President, those who are hardest hit by inflation in this country today are the elderly. For too many, social security benefits are the only source of income. And for millions more, social security benefits which keep pace with inflation prevent them from sinking into poverty. Even with these benefits, 25 percent of the elderly are near or below the poverty line. For elderly women the statistics are far worse. Fifty percent of all older women have median incomes below the poverty level.

Taxation of benefits for these retirees would only take needed income away from people who can least afford it, those living on modest, fixed incomes.

Moreover, Mr. President, we would, if we embark upon a course to tax the benefits of these retirees, be breaking faith with those who long ago made retirement plans thinking that their social security benefits would not be taxed. Since more than 10 million families would suddenly find themselves paying an additional several hundred dollars in taxes they had not budgeted, the average annual tax increase would be $350, a heavy burden for many elderly families living from one social security check to another.

Finally, Mr. President, if the Congress should consider taxation of benefits of future recipients, it should be done in the context of overall pension policy reform.

Recently, the President's Commission on Pension Policy, which was created by President Carter to examine the Nation's retirement, survivor, and disability systems, recommended in its final report that contributions to and benefits from social security receive the same tax treatment as other retirement programs. The Commission recommended that taxes on contributions to social security be deferred and benefits from social security eventually be counted as income subject to taxation. At the same time, the Commission recommended phasing out the earnings limitation, which has served to discourage older workers from employment.

I have not had the opportunity to fully study this proposal and, of course, I would very much like the benefit of the testimony presented to the Aging Committee and other congressional committees on the Commission's proposal before making any decision. However, I cite this report because it couples the taxation of future retirees' benefits with other important reforms. Any consideration of taxing social security benefits must be part of a broader-based reform. Otherwise our only accomplishment would be to put an additional tax burden on the disabled, retirees, and survivors receiving social security payments while doing nothing to address the more serious problems of the social security system and national pension policy in general.

Again, Mr. President, I commend Senators HEINZ and CHILES for their leadership and urge the Senate to agree to, without delay, this important resolution.●

● Mr. PRYOR. Mr. President, today I join with Senator HEINZ and other members of the Special Committee on Aging in sponsoring a sense of the Senate resolution which expresses the view that social security benefits should remain exempt from Federal taxation.

We are all fully aware of the problems

that the social security system has faced in recent years and the challenge that now faces the Congress to take steps to insure this most important program's financial stability. Last year, in anticipation of the need to insure the retirement income of our Nation's elderly, the Special Committee on Aging, under the able chairmanship of Senator CHILES, held a series of hearings which delved into the many options that are available for revitalizing this program.

In addition to hearing the many options for change in the social security system, I, along with other committee members, became more acutely aware of the degree to which the elderly of our Nation depend upon their social security benefits to finance their ever-increasing living expenses. Over the last decade, these expenditures, especially for necessities such as food, fuel, and health care, have grown at a rate of 8.4 percent per year, while the overall Consumer Price Index increased at an annual rate of 7.2 percent. This economic situation has caused an even greater strain on the fixed incomes of these struggling retirees.

In addition to the hardship this change in practice would place upon many of our Nation's retired workers, this action would also serve to further reduce the confidence of workers and retirees throughout the country in the social security system.

Treatment of social security benefits as regular income for tax purposes, which has been suggested by several study groups as a means to apply current tax laws more equitably and to increase tax revenues, translates into nothing less than reducing benefits for social security beneficiaries. Such an action, especially in times of such rapid inflation, would be a heartless move and would place an unnecessary burden on the millions of Americans who have paid faithfully into the social security system over their lifetime.●

● Mr. GLENN. Mr. President, I am pleased to join my colleagues on the Senate Special Committee on Aging in introducing a resolution expressing the sense of the Senate that social security benefits should remain exempt from Federal taxation.

Many older Americans are living on minimum, fixed incomes and the biggest problem they are facing is inflation. Almost daily, I hear from senior citizens who are distressed by reports that changes will be made in the social security system, such as the taxation of benefits, which will reduce their retirement income. I am opposed to changes in the social security system which will break faith with people who have paid in during their working years.

I am hopeful that Congress will act expeditiously to resolve the financing problems facing the social security system. However, this can be done without putting a burden on people who are beyond their normal working years.●

SENATE RESOLUTION 88—SUBMISSION OF A RESOLUTION OVERTURNING DEFERRAL OF CONGREGATE HOUSING SERVICES APPROPRIATIONS

Mr. WILLIAMS (for himself, Mr. CRANSTON, and Mr. TSONGAS) submitted the following resolution, which was referred to the Committee on Appropriations, the Committee on the Budget, and the Committee on Banking, Housing, and Urban Affairs, jointly, pursuant to the order of January 1, 1975:

S. RES. 88

Resolved, That the Senate disapproves the proposed deferral of budget authority to carry out the congregate services program under title IV of the Housing and Community Development Amendments of 1978 (numbered 81-70), set forth in the message transmitted by the President to the Congress on February 17, 1981, under section 1013 of the Impoundment Control Act of 1974.

● Mr. WILLIAMS. Mr. President, on February 17, 1981, President Reagan sent a special measure to the Congress withdrawing 33 rescissions proposed on January 15, 1981, by the Carter administration for this year. As stated in the message, the deferrals are designed to give the administration the opportunity to decide whether or not to free the funds for the programs involved. While the deferrals are called "temporary" under the terms of the Budget Act they could last until the end of the fiscal year, and there is no certainty that the deferrals will be lifted anytime soon.

One of the programs caught by the deferrals is the congregate housing services program (CHSP). Its entire $10 million appropriation for fiscal year 1981 is now held in abeyance, and activity under the program has come to a complete halt. While I understand the administration's interest in making its own decisions about housing programs, free of any limitations that its predecessor may have attempted to impose, in the case of CHSP a continuing deferral of its funds contradicts the administration's repeatedly expressed policies of reducing unnecessary Federal spending and promoting greater Government efficiency. Few actions could be more shortsighted than the deferral of CHSP appropriations. The fact is that this little program not only eases the tremendous personal hardship imposed on elderly and handicapped persons faced with premature institutionalization, but also it improves the way we deliver social services to needy people, and results in proportionately very substantial savings in medicaid expenditures.

To assure that the administration fully recognizes the importance of the CHSP in pointing the way toward a more efficient, responsive social service system, and to speed the availability of the program's funds, I am submitting a resolution to disapprove the President's deferral. I am pleased to be joined in sponsoring this measure by several of my distinguished colleagues.

Enacted in 1978, with overwhelming bipartisan support, the CHSP adds a significant dimension to the Federal Government's ability to deliver appropriate housing assistance through the section 202 loan program, and the public housing program. The program addresses the need for basic social services, such as meals, or housekeeping and personal care assistance, among low-income persons who have some functional disability, but not to the extent that they require institutional care.

It is true that social service programs such as those operated under social security or the Older Americans Act, while very worthwhile programs, are not capable in most instances of responding adequately to the at risk-persons that CHSP was created to aid. These programs often do not provide a full range of services in a given community, nor are individual services always complete. For example, meals services provided by these programs typically offer only one meal a day for 5 days a week where they are available, and they are not always available. In the absence of a full meals service that does not take time off for weekends and holidays, frail elderly or handicapped persons in assisted housing face removal to institutions, even though they could otherwise get along fine in their own residences. The partial service cannot help them.

CHSP allows eligible sponsors to secure funds from a single source—the Department of HUD—rather than from a myriad of sources each with its own series of rules, regulations, and requirements. Moreover, it significantly reduces the bureaucracy prevalent in existing programs which involve as many as five separate administrative levels—Federal and State Governments, regional agencies, local governments and agencies, and finally the grant recipients. CHSP cuts through this bureaucracy, sending the funds directly from the Federal Government to the sponsor.

To participate in the program, sponsors of section 202 housing or public housing survey their tenants to determine which ones have impairments that would threaten their continuing residency in their projects in the absence of support services. For the group of tenants able to remain in their units with just a little help, the sponsor fashions a program of services tailored to his residents' needs. I should stress that not all tenants of a particular project would be eligible. It is the program's purpose to foster a residential, rather than an institutional environment. Service packages are reviewed by appropriate local agencies for the elderly or handicapped, and then the application for CHSP funding is transmitted to HUD.

Under the law, no services already available to a project's tenants from other sources in the community can be paid for by CHSP. Duplication of available services is prohibited. Moreover, program sponsors may not use the pro-

gram to pay for services they supported prior to application for CHSP funds. In an effort to hold down per person costs, individuals receiving congregate services are expected to contribute toward their cost, to the extent they can reasonably do so. Thus, the program is not meant to take over the work of other social services programs, but only to pick up where they leave off.

Because the program reduces our reliance on institutions such as nursing homes to take care of people who are only marginally or minimally impaired, CHSP can substantially reduce Federal per person medicaid expenditures. Medicaid reimbursements in Maryland, the lowest in the country, total more than $6,000 per person. While in Mississippi, they reach above $7,100 per person, the country's highest. By contrast, CHSP funded services, together with rental assistance, would average nationwide about $4,000 per person. Considering that studies have suggested that a large proportion of nursing home residents need only a minimum of support services, not institutional care, the congregate housing services concept has enormous savings potential.

Let me describe a couple of specific CHSP funded projects. In 1 Mississippi project the 54 persons receiving CHSP supported services either came from an institution or would have been forced to enter one. In the Albuquerque, N. Mex., area, an Indian housing project now ready for occupancy would receive tenants all of whom will come out of nursing homes. There are other equally dramatic examples of the value of CHSP.

CHSP has a particularly important feature which must be noted. It provides funds on a multiyear basis through 3- to 5-year contracts between sponsors and HUD. This eliminates the uncertainty, and the wasteful stop-go syndrome that afflicts so many local social service effort which are never sure that funding will be available from one year to the next. CHPS's guarantee of funding is also absolutely crucial to encourage developers of new low-income housing to incorporate into their buildings the full service central dining facilities and the specially designed units that best accommodate at-risk tenants.

In my visits to low-income housing projects, elderly residents have made it clear to me how much they fear premature placement in institutions. They view nursing homes and other facilities as debilitating places that can rob them of their dignity and independence. They often feel that if they are placed in a nursing home, they will never leave. For low-income persons with functional impairments, current residential housing programs are inadequate to provide the noninstitutional, yet supportive environment that can best be described as "housing with help." CHSP helps fill this gap.

It is now operating on a pilot basis. Its appropriations are much less than the amount authorized. However, the Congress did explicitly approve a 4-year program. Before the proposed rescission and the current deferral, it was beginning to focus on new construction projects, to determine how successfully it could encourage developers to incorporate special congregate housing designs in their plans. This phase would be brought to a halt, short circuiting one of the program's basic missions.

Mr. President, CHSP has such promise. And the Congress has repeatedly recognized its promise by approving appropriations for each of the last 3 years despite administration plans to delete it from the budget. It deserves to be continued.●

NOTICES OF HEARINGS

COMMITTEE ON THE BUDGET

Mr. DOMENICI. Mr. President, the Senate Budget Committee will meet to hear testimony of the President's budget proposals on March 11 and 12, 1981, in room 6202 of the Dirksen Senate Office Building.

Appearing before the committtee on Wednesday morning, March 11, will be Dr. Alice Rivlin, Director of the Congressional Budget Office, and on March 12, David Stockman, Director of the Office of Management and Budget, will testify.

For more information, contact Mr. Bill Stringer of the Budget Committee staff at 224–0538.

SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS

Mr. DURENBERGER. Mr. President, I would like to announce that the Subcommittee on Intergovernmental Relations will hold 2 days of hearings on the subject of grant reform, S. 45 the Federal Assistance Reform Act of 1981, and related legislation.

The first day of the hearings will be held on March 11, 1981, in room 3302 of the Dirksen Senate Office Building, and the second day of hearings will be held on March 25, 1981, in room 3302 of the Dirksen Senate Office Building. Both hearings will be held from 2 to 5 p.m. For further information on the hearings please call Jimmie Powell at 224–4718.

SUBCOMMITTEE ON FEDERAL EXPENDITURES, RESEARCH, AND RULES

Mr. DANFORTH. Mr. President, on Wednesday, March 18, the Subcommittee on Federal Expenditures, Research, and Rules of the Committee on Governmental Affairs will hold hearings to identify the Federal programs, laws, and regulations which impose the greatest paperwork burdens on the American people. At that hearing the subcommittee will receive the testimony of the U.S. Chamber of Commerce, the National Association of Manufacturers, the National Federation of Independent Businesses, the Business Reports Advisory Council, the National Governors Association, the National Association of Counties, the National League of Cities, and the American Council on Education. We plan to bring this hearing record to the attention of the Office of Information and Regulatory Affairs in the Office of Management and Budget. Pursuant to the Paperwork Reduction Act (Public Law 96–511), which goes into effect April 1, this office is charged with the responsibility of reducing the burden of Federal paperwork. It is our hope that these hearings will assist OMB as it assigns priorities in its work.

The hearings will be held in room 3302 of the Dirksen Senate Office Building, beginning at 10 a.m. Questions concerning the hearings may be addressed to Patricia Otto, chief clerk, at 224–0211. Persons wishing to submit material for the hearing record should address it to the Subcommittee on Federal Expenditures, Research, and Rules, 44 Capitol Hill Apts., 128 C Street NE., Washington, D.C. 20510. Material submitted for the record must be received by close of business, Wednesday, March 25.

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. McCLURE. Mr. President, I would like to announce for the information of the Senate and the public, the scheduling of public hearings before the Committee on Energy and Natural Resources on President Reagan's budget for fiscal years 1981 and 1982.

The hearing on the President's budget for the Department of Energy will be held on Thursday, March 12 at 9 a.m. in room 3110 of the Dirksen Senate Office Building. Testimony will be received from the Secretary of Energy.

The hearing on the President's budget for the Department of the Interior and the Department of Agriculture will be held on Friday, March 13 at 9 a.m. in room 3110 of the Dirksen Senate Office Building. Testimony will be received from the Secretary of the Interior and a representative of the Secretary of Agriculture.

In addition, the full committee will hold business meetings to consider the committee's March 15 report to the Senate Budget Committee on March 16, 17, 18, and 19, at 9 a.m. in room 3110 of the Dirksen Senate Office Building.

For further information regarding these meetings, you may wish to contact Mr. Richard Grundy at 224–2564.

ADDITIONAL STATEMENTS

TERRORISM TRACING THE INTERNATIONAL NETWORK

● Mr. PACKWOOD. Mr. President, hardly a day goes by without news stories describing new and brutal acts of terrorism, committed around the world. Public officials, church leaders, educators, private citizens unlucky enough to be in the wrong place at the wrong time—men, women, and children—die at the hands of extremists with no regard for human life. These terrorist acts are more and more often carried out not at random, not by disorganized bands of hoodlums, but by well-organized, well-financed political terrorists, equipped with the best and most lethal weapons, and well-trained to disrupt, intimidate, and kill.

Who finances them? Who provides the weapons, the training? The answer, or at least a part of the answer, may be found in last Sunday's New York Times Magazine, in an article entitled, "Terrorism: Tracing the International Network." In this article the author, Claire Sterling, describes the involvement of the Soviet Union and its surrogates in terrorist activities in Turkey, Italy, and Northern Ireland, with such disparate terrorist groups as West Germany's Baader-Meinhof Gang, Italy's Red Brigade, the Basque ETA, and the Palestinian Liberation Organization.

Mr. President, Claire Sterling is not a wild-eyed young investigative reporter seeking publicity. She is a well-respected veteran journalist with over 30 years of experience in Europe. She has a reputation for painstaking and accurate research and reporting. And she tells a frightening story. It is must reading.

Mr. President, at this time, I ask that the text of this article be printed in the RECORD.

The article follows:

TERRORISM: TRACING THE INTERNATIONAL NETWORK

(By Claire Sterling)

Four well-groomed men bearing sawed-off shotguns approach a car on a busy street in Milan; bullets rip through the body of the passenger, chief of one of the city's largest hospitals. The Red Brigades, the nation's most-feared terrorist group, claims responsibility. In Northern Ireland, a band of armed men uses explosives to blast its way into the castle of Sir Norman Stronge, an 86-year-old Protestant leader and longtime speaker of Northern Ireland's Parliament; the bodies of Sir Norman and his son, James, 48 years old, are found later, bullets through their heads, and guerrillas of the Irish Republican Army (I.R.A.) say it was their work.

Such incidents—these two within the last few weeks—are the stuff of everyday headlines. But last month, at his first news conference as Secretary of State, Alexander M. Haig Jr. made them the focus of diplomatic confrontation. He warned that international terrorism had become "rampant," and he charged the Soviet Union with consciously seeking to "foster, support and expand" terrorist activities around the world. Specifically, he accused Moscow of "training, funding and equipping" those who kill for political profit.

The reaction to Secretary Haig's charges was in many ways predictable. The Soviet Union called such talk "a gross and malicious deception" and insisted that the "control center of international terrorism" was, in fact, the Central Intelligence Agency headquarters in Langley, Va. Journalists who interviewed Government intelligence experts—including some C.I.A. aides—quoted officials to the effect that there was no hard evidence to support Mr. Haig's accusations. And many Americans shook their heads despairingly at what sounded to them like nothing more than an old cold warrior's refrain, a broadside political attack against a safe and familiar target.

Until a few years ago, I might have been among those head-shakers. Generations of Americans, raised on Depression fare, find it hard to shake off a belief in the aspirations of the political left. But I have spent the last two and a half years researching leftist terrorist groups, talking to government officials and police in 10 countries from Sweden to Lebanon, examining court records and interviews in the public prints. I now know better. There is massive proof that the Soviet Union and its surrogates, over the last decade, have provided the weapons, training and sanctuary for a worldwide terror network aimed at the destabilization of Western democratic society.

The network, as described by dozens of captured terrorists and volumes of courtroom testimony, consists of a multitude of disparate terrorist groups, helping out one another and receiving indispensable aid from not altogether disinterested outsiders.

A few years ago, the C.I.A. reported that more than 140 such terrorist bands from 50-odd countries on four continents were linked in one way or another.

One example: On July 26, 1974, a customs inspector at the Orly airport in Paris discovered that Yutaka Furuya, a passenger on a flight from Beirut was carrying several forged passports, $10,000 in counterfeit money and papers tying him to the Japanese Red Army terrorist group. It turned out he was on his way from a Palestine base in Lebanon to kidnap a wealthy Japanese businessman in West Germany, and that he was to have logistic support from the German Red Army Faction.

After his arrest, fellow Japanese terrorists occupied the French Embassy in The Hague and demanded Furuya's release. They used explosives stolen by a Swiss anarchist group from a military depot in Zurich, and they were directed by Carlos the Jackal, a Venezuelan who was running terrorist operations in Europe for George Habash's Popular Front for the Liberation of Palestine.

Such connections within the terrorist network have long been evident. What is now beginning to emerge is the degree to which the links in this network have been purposefully forged—and continue to be maintained—by the Soviet Union and its two chief proxies in this regard, Cuba and the Palestinians.

Not until Secretary Haig's charges, and a similar statement a day earlier by the President of Italy, Alessandro Petrini, had any Western government publicly accused Moscow of a major role in fostering the network. Most of the governments under siege are still reluctant to do so. They are unwilling to risk their relationship with Moscow—or with the oil-rich nations supporting the Palestinian connections of the network. They also seem to want conclusive proof that the Soviet Union has created and is the phantom mastermind of these terrorist bands.

It's not that simple. Such direct control of the terrorist groups was never the Soviet intention. All are indigenous to their countries. All began as offshoots of relatively nonviolent movements that expressed particular political, economic, religious or ethnic grievances.

Moreover, some of the support Moscow hands out in the third world goes to anticolonial groups that are militant but not terrorist. Time and again, however, authentic left-wing liberation movements slip over the line from organized resistance to terrorist violence. That line is hard to define, as is the very concept of terrorism itself. Lenin's definition—"the purpose of terror is to terrorize"—is a useful beginning. The terrorist uses violence not to punish the victim but to intimidate the audience, to impose his political will by force when he cannot achieve it by democratic means.

The heart of the Russians' strategy is to provide the terrorist network with the goods and services necessary to undermine the industrialized democracies of the West. More than half of the international terrorist attacks since 1968, according to the C.I.A., have taken place in Western Europe and North America. The most deadly have come in a strategic crescent from Turkey westward through Italy and up to Ireland. And, as Italy's Red Brigades have made clear, the ultimate objective is "the supreme symbol of multinational imperialism," the United States.

It is not happenstance that none of the major terrorist attacks have been directed against the Soviet Union or any of its satellites or client states.

Some terrorist bands have suffered their share of setbacks in the last year or two. In Turkey, for example, "The Anarchy"—the warfare between left and right terrorists that accounted for 4,000 deaths in 1980—has almost ground to a halt since the new military regime took over. More than 21,000 alleged terrorists, more or less evenly split between left and right, have been jailed. In Spain, estimates of the number of hard-core Basque terrorists in Eurkad ta Askatasuna (E.T.A.) remain at between 100 and 200, but there have been signs of public disenchantment. Early last month, the murder of a nuclear engineer led to widespread antiterrorist protests; a few days later, however, the demonstrations turned in E.T.A.'s favor after a suspected terrorist died while being held by the police.

Still, it is dangerous to draw conclusions from apparent symptoms of weakness in the terrorist network. Public knowledge of the workings of a particular terrorist band usually comes from one that is in trouble, whose members have been arrested and are talking. Moreover, some terrorist groups have flourished during these same years; the Provisional I.R.A., for example, has been able to maintain between 200 and 250 fully armed members in spite of the growing war-weariness within its Roman Catholic constituency.

The network, with Moscow's aid, has come a long way in the last decade. Once dependent upon large numbers of ill-equipped amateurs untrained in modern guerrilla tactics, the network is now in large measure made up of professionals, superbly trained, moving about the world in yachts and helicopters, flush with money picked up in multimillion-dollar kidnappings and bank robberies, armed with walkie-talkies, electronic eavesdropping devices—and even heat-seeking, ground-to-air Strela missiles. They have strings of safe houses at home and established getaway routes to assured sanctuaries abroad. It takes only a handful of them to paralyze a nation.

The roots of the terrorist network can be traced directly to the Tricontinental Congress held in Havana in January 1966. More than 500 delegates passed resolutions emphasizing the need for close collaboration between "Socialist countries"—i.e., the Soviet Union and its satellites—and "national liberation movements." Significantly, resolutions covered not only third-world groups but also "democratic workers and student movements" of Western Europe and North America. The delegates' purpose, they said, was to devise "a global revolutionary strategy to counter the global strategy of American imperialism."

It was, unmistakably, a call for a Guerrilla International. And the call was heeded. Ten months later, a new cluster of more than a dozen training camps for guerrilla fighters from all over the world was opened in Cuba. The man in charge was Col. Vadim Kotchergin of the K.G.B. It was the first major move by the Soviet Union in the emergence of the Guerrilla International.

To be sure, Fidel Castro had been operating his own schools for guerrillas since 1961, starting with recruits from Latin America and Africa. By 1964, Palestinians and Europeans had joined the ranks. But the addition of Colonel Kotchergin's camps added a new dimension. The men who were trained in these camps provided the first generation of leadership for the terrorist decade to come.

The stage was set in 1968, that amazing year when, from Berkeley to Tokyo, a generation born after the last great war declared its own war on society in a brief but stunning show of strength. The whole planet seemed to be lurching leftward toward revo-

lution. Then, it was over, and the vast majority who had lived through the experience left it behind. But many of those with a true vocation for revolutionary violence had found one another.

These beginners knew nothing of the terrorist trade; they lacked money, weapons, fast getaway routes and safe havens abroad. We will never know how far they might have gone on their own, because they were never really left on their own. By 1970, any aspiring terrorist band could count on Cuba or the Palestinian resistance.

The revolutionary decade of the 1960's had been focused in Latin America as Fidel Castro preached his gospel of spontaneous, popular revolution. But that vision had faded as the Soviet presence in Cuba increased, and now the fulcrum of revolution had moved to the Middle East.

The Palestinians now had their own camps for foreigners. Starting in Syria, Lebanon and Jordan, they spread over the decade to South Yemen and then down into Moscow's new African client states, Angola and Mozambique. The Palestinians also set up such camps in Algeria and in Libya, with the help of Libyan money and literally billions of dollars' worth of Soviet armament. Cubans taught in most of these camps, East Germans in many, North Koreans in some.

It was in South Yemen, however—by then a Soviet satellite state tightly controlled by the K.G.B.—that a kind of postgraduate school in international terrorism emerged. The list of foreign guests in the camps around Aden included members of West Germany's Baader-Meinhof gang, Italy's Red Brigades, the Basque E.T.A., the Provisional I.R.A., the Japanese Red Army, the Tupamaros of Uruguay and the Turkish and Iranian undergrounds.

For most of them, the hosts were George Habash and his military commander, Wadi Haddad, of the Marxist Popular Front for the Liberation of Palestine. It was this group, more than any other among the half-dozen in the Palestine resistance, that was most committed to internationalizing the struggle with Israel. The group's strategy: to develop a multinational terrorist hit team that would force their cause upon the world's attention. One early operation, carried out jointly with El Fatah through Black September, was the massacre at the Olympic Games in Munich in 1972. Soon, however, the Habash-Haddad front, operating out of Aden, went its own way. Among its missions: The raid on a meeting in Vienna of the Organization of Petroleum Exporting Countries in December 1975 in which 11 Arab oil ministers were taken hostage; the occupation of the French Embassy in the Netherlands in September 1975; the destruction of the West German Embassy in Stockholm in February 1976; the hijacking of a French plane to Entebbe in June 1976 and of a Lufthansa plane to Mogadishu in Somalia in October 1977.

A second major watershed in Moscow's support of the terrorist network came after the October War of 1973. For the first time, the Arab military performance was impressive enough to persuade leaders such as the P.L.O.'s Yasir Arafat that there was some chance of a diplomatic road to peace. The most intransigent foes of a negotiated settlement with Israel reacted by forming the Palestine Rejection Front. And the Soviet Union, committed to an anti-Israel policy, began to lavish ever-greater financial and logistical support on the rejectionists.

The Cubans started arriving in large numbers to train guerrillas in the Middle East. At the same time, Moscow organized extensive military and guerrilla courses for the Palestinians—in the Soviet Union and in East Germany, Czechoslovakia, Hungary and Bulgaria. By 1977 more than 50 such courses a year were running in the Soviet bloc, 40 of them within the Soviet Union itself, involving thousands of guerrilla cadets. In addition, all the Palestinian guerrilla formations—totaling more than 16,000 men—are today wholly armed with Soviet-bloc weapons.

Throughout this period, the Russians insisted that such support of the Palestinian cause was simply a matter of supporting an indigenous liberation movement; they have denied any connection between that support and any international terrorist activities. In reality, however, there has been a straight transfer of terrorist skills and equipment from Moscow to the Palestine resistance to the terrorists of Europe and beyond, with the knowledge and assistance of the Russians themselves.

Soviet-bloc arms were being shipped from Eastern Europe to the Middle East, then trans-shipped to Western European terrorists through a Bulgarian staging post or via Libya. (The imprisoned co-founder of Italy's Front Line, Fabrizio Giai, said: "Never—never!—could the Palestinians have delivered Kalashnikovs and other Soviet-bloc weapons to us or anybody else without the Soviet Union's permission.") And privileged sanctuaries for German, Spanish and Italian terrorists were sprouting up all over Eastern Europe. Four German terrorists wanted for the 1977 kidnapping and murder of the industrialist Hanns-Martin Schleyer, for example, were tracked down by West German detectives taking sunbaths on a beach in Bulgaria. Top Italian terrorists were practically commuting to Prague. And the movement of personnel and tactics between and among the Russians, the Palestinians and the individual national terrorist groups was growing ever greater and more sophisticated.

The record of Soviet involvement with the terrorist network is clear, as in the case histories of the three target nations cited below.

TURKEY

Masked gunmen burst into cafes. "Are you rightist or leftist?" they would demand, and then slaughter one side or the other—or both. Anybody sitting at a ground-floor window, watching television, became fair game for the terrorists. Entire cities took sides: Erzurum, near Turkey's border with Iran, was rightist; Kars, on the Russian border, was leftist. One dared not journey from one to the other.

In 1977, 250 political murders were committed in Turkey; in 1979, the number reached 1,500; last year it climbed above 4,000—the world's worst case of raging terrorist warfare. Not until the army took over power last summer and started its massive arrests of suspected terrorists did the bloodshed begin to diminish.

There were a host of logical reasons for the violence in Turkey. A closed, medieval Islamic society had been suddenly transformed by Kemal Ataturk's post-World War I revolution, swept into the modern age, but political corruption had rotted the beginnings of parliamentary government. Endemic poverty and a 50 percent youth unemployment had stirred textbook urban unrest. Leftist revolutionary groups appeared. But the explanation for the burst of terrorism in Turkey is to be found elsewhere: in the Soviet Union.

Vladimir N. Sakharov used to work for the K.G.B.'s Department VIII, which encompasses the Arab states. Afghanistan, Iran, Yugoslavia, Albania, Greece and Turkey. When he defected in 1971, he told American interrogators about three major Soviet missions in his zone. They were:

1. To sabotage Saudi Arabia's oil fields and, if possible, dislodge its pro-Western monarchy.

2. To build terrorist cells in the Arab oil sheikdoms around Kuwait and the Persian Gulf, offering scholarships and guerrilla training in the Soviet Union.

3. To mount—as reported in John Barron's book "KGB"—a "brutal campaign of urban terrorism, kidnapping and assassination against Turkey."

Generally speaking, Turkey has rated little public attention in the Western world. Yet it is a land mass of enormous importance, the North Atlantic Treaty Organization member charged with defending the eastern entrance to the Mediterranean; its strategic importance to the West has increased dramatically since the fall of the Shah in Iran. Turkey has been coveted by the Russians since the days of the first czars.

According to Sakharov, the latest expression of that desire began in the early 1960's when the K.G.B. began recruiting promising young left-wing Turks for a terrorist movement. They were eventually shipped secretly to Syria for guerrilla training, with the ararrangements made by two K.G.B. agents working out of the Soviet Embassy in Damascus. Turkey's terrorist cadets soon were enrolled in other Palestinian camps, from Lebanon and Jordan to South Yemen, and taken in hand by Habash and Haddad. By 1970, a group of them had already been caught by police in the act of mounting a terrorist hit. Time and again in the years that followed, Turkish graduates of Palestinian camps—Russian-supervised or located in Russian-run South Yemen—were picked up as they made their way back home, loaded down with Soviet-bloc weapons.

For the most part, these newly trained terrorists joined a sprawling youth group called Dev Genc and its military arm, the Turkish Peoples Liberation Army. Its bombings, shootings, holdups, kidnappings and killings of police brought about the declaration of martial law in 1971. Two years later, the Turkish Army kept its word and held free elections. Meanwhile, the Liberation Army and its smaller associates in the left-wing underground had dug deeper, built up enormous new arsenals of Soviet-bloc weapons (40,000 guns were seized by police over the next four years) and tightened its ties with the Habash-Haddad front.

The Palestinians, too, had worked assiduously under martial law to build up terrorist cadres in Turkey. As their noted hijacker Leila Khaled proudly announced to the Istanbul daily Hurryet on May 26, 1971, Habash's Popular Front for the Liberation of Palestine (P.F.L.P.) was "sending instructors to Turkey in order to train Turkish youth in urban guerrilla fighting, kidnappings, plane hijackings and other matters . . . in view of the fact that it is more difficult than in the past for the Turks to go and train in P.F.L.P. camps abroad." The P.F.L.P. "has trained most of the detained Turkish underground members," she added.

Eventually the leftist terrorists of Turkey came to be splintered among dozens of Marxist revolutionary bands. But rightist terrorism has a clearer profile. It belongs to Col. Arpaslan Turkes, whose Paramilitary Idealists are also known as the "Gray Wolves"—they howl when their leader appears before them. The colonel was a late starter in political terrorism, depending initially on a neo-Nazi party. By the time he turned his Gray Wolf terrorists loose in the early 1970's, he could justifiably claim to be responding to Communist provocation. The terrorist left wing retaliated, and the two-way kill rate rose inexorably. Right-wing military officers supplied weapons to right-wing killers, while the Soviet Union accelerated shipments to the leftists. Huge consignments of Soviet-bloc arms were smuggled in from Bulgaria, trucked overland or shipped by sea. On June 3, 1977, Turkey's security officers stopped the Greek cargo vessel Vasoula in the Bosporus, coming from Varna, Bulgaria. She was carrying 67 tons of armaments, much of it earmarked for the left-wing underground in Turkey. The Turkish Government's protest to Bulgaria got nowhere.

Late in 1978, martial law was imposed again, but the level of violence continued to soar. The terrorism was producing a corpse

an hour when the army once again took over the nation last summer. As was true in its earlier interventions in 1960 and 1971, the armed forces said they were seeking to rescue, rather than replace, a democratic order under siege. They kept their promise those times, restoring civilian rule, and most observers are reasonably sure they will do so again. Meanwhile, the terrorist kill rate has dropped from one an hour to one a week.

NORTHERN IRELAND

When Northern Ireland's shooting war started in 1969, the Protestants had all the guns. The Roman Catholic Provisionals had nothing but a few moldering weapons left from the I.R.A.'s storied battle for freedom, about half a century before. They had to rely at first on American weapons—trickling in, three or four at a time, in the false bottoms of suitcases—and on American dollars.

The millions of Irish Americans who bankrolled the Provos thought they were supporting a continuation of the conflict that ended in 1922 with Ireland's winning its independence from Great Britain. The Protestant majority in the six Northern counties still under British control had been freezing Roman Catholics—many of them wretchedly poor—out of jobs, housing and public life. The I.R.A. presented itself as engaged in an open and aboveboard war against religious persecution: a war to reunite the North with the South.

In fact, as the Provisional I.R.A.'s newspaper, An Phoblacht, has made clear, it was and remains a war "to demolish the colonial regime in the Northern war zone and the Quisling regime in the Free State of Ireland"—in other words, a war against both North and South. It was also a war to "educate the workers to destabilize capitalism and international imperialism," as the Provos told Controinformazione, the house organ of Italy's Red Brigades.

The I.R.A. has come a long way since its early days of dependence upon the United States. Fund raising is mostly done at home nowadays, by means of protection rackets, brothels, massage parlors and bank stickups. And the incoming hardware is largely Soviet-made. It took only a few years to make the transformation with the help of the international terror network.

The first definitive signal the Provos received that their weapons shortage might be ending came in the autumn of 1971. An unknown man, using the all-purpose name of "Mr. Freeman," dropped by to say that 4.5 tons of modern arms made in Czechoslovakia might be available. Maria McGuire, who wrote a book about life among the Provos, later reported that one of their leaders, David O'Connell, wandered on the Continent from Paris to Berne to Amsterdam to make the connection, "followed by the Czech and Soviet secret police." Then he made contact with Omnipol, an arms factory in Prague run by the Czech security police, who in turn had been tightly controlled by the K.G.B. since the 1968 Soviet invasion. O'Connell eventually did order 4.5 tons of bazookas, rocket launchers, hand grenades and the like, but the 166 crates were intercepted by police in Amsterdam. While the Provos were shattered by the loss of their first big arms consignment, their source was assured from that point on.

By then, the I.R.A. was getting to be a focus of worldwide revolutionary interest second only to the Palestinian resistance. The first I.R.A. contingents were dispatched to Jordanian guerrilla camps in 1969 and were soon drawn into George Habash's inner circle. In October 1971, Provo leaders were guests of honor in Florence at the historic conference that started Europe's Guerrilla International.

Assembled by Giangiacomo Feltrinelli, the radical Italian millionaire publisher, and the ultra-left Potere Operaio (Workers Power), delegates from 14 countries agreed to coordinate international terrorist plans. It was, according to British and Irish Government sources, an unprecedented and dangerous development.

The keynote address, on the Palestinian resistance, was given by Italy's radical Marxist thinker Antonio Negri. The delegates then spent a full day listening to the I.R.A.'s Seamus Costello as he analyzed the experience of Europe's oldest guerrilla army. Arrangements were made at the meeting to smuggle weapons in heavy trailer trucks across the Continent to the I.R.A.

In May 1972, I.R.A. leaders sat in at the first international terrorist summit, organized by George Habash in Baddawi, Lebanon. And two months later, in Paris, Habash's Palestinian Front and the armed bands of 12 other nationalities signed a formal "Declaration of Support" for the Provisional I.R.A. Fifty Provos were selected for advanced guerrilla training in Lebanon. Before long, there was a steady flow of I.R.A. men to South Yemen for work with Wadi Haddad. There, on the shooting range, in Haddad's private movie house at camp, they mingled with the men at the top.

The connection began to pay off at once. During 1972, the Habash-Haddad front held a series of secret meetings in Dublin, organizing the multinational terrorist team that would operate under Carlos the Jackal. When a million dollars' worth of weapons were divided up among them, the Provisionals got the lion's share. Soon, Carlos himself was taking the trouble to procure explosives for the Provos from an anarchist weapons supply service in Zurich. Italy's Red Brigades hailed the I.R.A. as "an unrenounceable point of reference for generalized warfare on the European continent" The operational plans of Cuban Intelligence for 1972 stipulated that "Cuba would train the I.R.A. in terror and guerrilla warfare tactics." Col. Muammar el-Qaddafi of Libya offered "arms and support for the revolutionaries of Ireland." Within a year, the cargo vessel Claudia steamed out of Tripoli toward the coast of Ireland bearing 250 Kalashnikov rifles and other weapons—five tons of the very best Soviet-bloc hardware—for the I.R.A. It was seized by the Irish Navy.

By 1976, the Provos were training in Libyan guerrilla camps, as they were still doing last year. Eyewitnesses have reported their presence at such sites as Tokra, northeast of Benghazi, where Cuban instructors offer the world's most advanced courses in sabotage, and at Camp Az-Zauiah studying weaponry, explosives, sabotage and psychological warfare with guerrillas from West Germany, Spain, Greece and Brittany.

Every move to arm and train the I.R.A. has pushed it further toward its ultraleft benefactors, who see Northern Ireland as a prized battleground. Civil war in the six counties puts great strains on the United Kingdom, which is interlocked with the entire Western structure of trade, industry, banking and military alliances. No wonder that the Soviet Union, as early as 1972, was sponsoring a worldwide campaign "against British repression in Ireland," piloted by hoary front groups like the International Union of Students, the World Federation of Democratic Youths and the World Peace Council.

All this has brought Northern Ireland closer than any other country in the West to the kind of conflict that Marxist revolutionaries call a civil war of long duration. And the Provos show no signs of wanting to reach a political settlement.

Like the most extreme of their Protestant counterparts, they have consistently blocked every possible peaceful solution. In 1973 they helped kill off a power-sharing plan in a new Northern Ireland Assembly by planting 48,000 pounds of explosives. "We see no future in power-sharing," they said. Later in 1973 they helped consign the promising Sunningdale agreement to oblivion by breaking their own cease-fire—the last they would ever agree to—after just three weeks. "There is absolutely no question of another cease-fire or truce," they later declared. In the summer of 1979, they killed off the best proposition yet for a federated Ireland, "the Fitzgerald plan," by blowing up Lord Mountbatten on his fishing boat.

The Fitzgerald plan was "unacceptable" they said flatly, a week after Mountbatten's death. Their spokesman was Ruairi O'Bradaigh, an I.R.A. man of 30 years' standing and president of their lawful political arm, the Provisional Sinn Fein. "We do not want a confederation of the South with the North," he declared. "Nor do we want an independent Ulster. We want a general dismantling of the existing establishments in the Irish Republic and Ulster both."

What then does the Provisional I.R.A. have in mind for its own version of a free and united Ireland? "We want a Democratic Socialist Republic," replied O'Bradaigh, something "third-worldish," a bit like "Allende's Chile," flavored with thoughts from Colonel Qaddafi's "Green Book," "similar to Communism but not exactly like it"; Marxist in analysis, if not necessarily in practice, designed to "nationalize industries, control the means of production and distribution and take over agriculture under state-run cooperatives"; emphatically "not German Social Democracy" and not quite a dictatorship of the proletariat either, but almost. "We could not risk having parties around who want to bring colonialism back. There would have to be a reckoning with them."

Meanwhile, as the Provos keep saying, the 12-year-old war must go on. By late 1978, the Roman Catholic Bishop of Londonderry observed: "The Catholic community, like the whole community here in the North, is sick and tried of the Provisional I.R.A." But it is doubtful whether the Provos take much notice. They do not really require to be loved. They never did need more than a few hundred professional guerrillas to hold down a British army 30 or 40 times their size. So long as they can count on the international terror network for hardware and sanctuary, their civil war can probably last in perpetuity.

ITALY

In May 1975, Carlo Fioroni, a 31-year-old Italian high-school teacher, was arrested in Switzerland while attempting to change $100,000 of Italian ransom money into Swiss francs. Back in Italy, Fioroni was convicted and imprisoned for his role in the terrorist kidnapping and murder of his closest friend. Four years later, from his prison cell, he provided the public with its first authentic look inside the Italian terrorist movement.

During that same year, 1979, a judge in Padua offered his prognosis of the nation's political health: "It seemed to me that . . . a tragic moment was approaching for the community—insurrection and civil war." There was a terrorist attack somewhere in the country once every three hours.

Fioroni described a complex political-paramilitary structure that was Europe's most sophisticated model of modern revolutionary warfare. His revelations sent shock waves through the nation.

Throughout the decade, Italians had been sure that their terrorist affliction was a native cancer, free of foreign influence. To be sure, Italy lacked the religious confrontation that had ignited Ireland or the ethnic hatred that had fired Basque terrorism. But, as expert analysts pointed out, it did offer causes enough for the outbreak: The nation had been relentlessly misgoverned for 30 years. Social and economic deformities abounded. Moreover, Italy's Communist Party, the largest in the West, had been moving toward partnership with the political establish-

ment, leaving a huge revolutionary vacuum on the left.

Thus, left-wing intellectuals of the left refused to perceive the terrorists as anything but misguided revolutionaries and resolutely closed their eyes to possible foreign links. Italy's allies shared this view. As late as 1978, the C.I.A. refused an Italian Government request for help in finding the kidnapped former Premier, Aldo Moro, on the ground that there was no evidence that the Italian Red Brigades had any international connections.

In fact, the Italian terrorists were intimately connected with the global terrorist network. Their apparatus had two tiers. One was an open and legal political arm, the Autonomous Area, operating seminars, international conferences, counterculture bookshops and a chain of private broadcasting stations. Its leaders were the intellectual gurus of Italy's left. The other tier was a secret, terrorist branch. It included dozens of different units—the Red Brigades, with 500 armed members, and smaller bands, such as Front Line, with 200 to 300 more. The two tiers were mutually supporting, with a so-called Second Society of hundreds of thousands of law-abiding citizens offering the terrorists acceptance and protection. And the whole apparatus was closely linked to the Soviet Union and its terrorist surrogates, seeking to destabilize a major Western democracy.

Fioroni was the first important member of the underground to talk publicly about its connections with the I.R.A. and the German and Basque terrorists. Not until 1980 was the Soviet link first established: Half the founding leaders of the Red Brigades and several top leaders of the Autonomous Area had been trained by the K.G.B. in special camps in Czechoslovakia before 1968. Patrizio Peci, a former member of the Red Brigades' High Strategic Command, then confirmed that this training of cadres had continued throughout the 1970's.

Peci added: "All the arms reaching the Italians, of whatever make or provenance save those taken from policemen and Carabinieri, were coming from a single distribution center stocked by Palestinian formations." Consignments picked up off the Lebanese coast and off-loaded in Venice, he said, had been divided among Italians, Germans, I.R.A. Provisionals and Spanish Basques.

More than 1,000 accused terrorists were in prison by the end of 1980, and some 100 of them made detailed confessions. Police raids turned up scores of safe houses, tons of weapons and archives covering 10 years of terrorist growth. "Operationally speaking, the worst is over," Gen. Capuzzo, the national Commander of the Carabinieri, said a few weeks ago. Yet even as he spoke, there was evidence that his optimism might have been misplaced. New terrorist incidents have occurred, And the deadly curve seems to be rising again.

The nations of Europe have made a start on a coordinated approach to combatting the international terrorist network—a kind of counterterror network. The interior ministers of all 10 Common Market nations, along with those of Spain, Austria and Switzerland, have been meeting periodically on the matter for nearly three years. They have found ways: harmonizing their technical procedures, from car-plate identification to fingerprinting, and sharing their computerized information.

West Germany's computers in Weisbaden, for instance, now give officials throughout Europe access to 10 million items of information on the life histories, travels, dental work, reading habits and musical preferences of known terrorists all over the world. Other nations are creating similar data banks. There has also been an increased exchange of antiterrorist expertise as more nations set up their own special commando units modeled on West Germany's Leatherheads (the G.S.G. 9), Britain's celebrated S.A.S. and the French Gendarmerie's Intervention Group (G.I.G.N.).

But direct action against individual terrorists cannot do the job alone. Leaders of the target nations are beginning to recognize the need to deal with larger groups of law-abiding citizens who lend the terrorists support—the accomplices among whom, as Mao put it, the terrorist can swim like fish in the sea. The technique of establishing such a two-tier structure, as in Italy, has had a broad application among European terrorists.

The way was pointed more than a century ago, in czarist Russia, by a Moscow revolutionary named Nicholas Ishutin. It was he who first suggested the combination: an underground terrorist force operating within the protective ring of an open political party of law-abiding citizens. The public arm preaches revolution, covers for the underground, shields it from the police.

The terrorists are presented as authentic —if sometimes "misguided"—revolutionaries. And they need not fear informers because of what the Mafia calls Omertà, the law of silence.

The willingness of Secretary Haig and the President of Italy to go public with charges of Soviet involvement in the terrorist network may lend strength to a public-information attack on the two-tier technique. What is needed is extensive public debate—in the media, at the universities, among intellectuals in general—cutting through old romantic concepts. Left-wing terrorism is not built upon authentic revolutionary goals of justice and equity for the working class. It seeks everywhere to dismantle free societies, forcing constitutional governments to behave like police states. And civilians paired with the terrorists are peculiarly exposed to manipulation by the network's Soviet sponsor.

For all the value of government crackdowns and educational programs, these terrorists have noticeably improved their self-protective apparatus and tactics. Smaller bands are emerging, less vulnerable to infiltration, less susceptible to public pressure, and armed with the latest technological weapons of destruction.

There remains the other option open to governments under siege, the option they have been so loath to take. They can directly confront the Soviet Union, Cuba and the Palestinians, using the weapons of diplomacy and trade to halt the transfer of terrorist goods and services. They could attempt to mobilize world opinion against the network, raising the issue in the United Nations and other international forums. They could bring economic pressures on Moscow and the network's other linchpins.

In fact, given the dimensions of the problem, and the danger it poses to free nations everywhere, it seems hardly credible that the Soviet Union and the West can settle any other issues between them so long as the issue of world terrorism goes unresolved.●

CONTROL DATA CORP.

● Mr. DURENBERGER. Mr. President, anyone who thinks American business innovation is a thing of the past should take a close look at Control Data Corp.

In the relatively short time since its founding, CDC has grown from a fledgling company to one of the giants in the high-technology field. Much of the credit for this tremendous growth rate is the genius of CDC's founder William Norris.

An important part of CDC's growth, though, has been its attention to people problems. For that, the credit must go to Mr. Norris and his deputy chairman Norb Berg.

Mr. Berg has made a successful career out of dealing with the human side of the corporation. His employee programs are leaders not only in CDC's industry, but in the entire business world.

With a bit of understated pride I want my colleagues to know that Norb Berg is a smalltown boy who was a classmate of mine at St. John's University—a small liberal arts college in the smallest of Minnesota towns. This background could be responsible for his commitment to humanity as the best work of even corporate institutions.

Mr. Berg and CDC take corporate responsibility beyond the annual financial contributions that many firms make to worthwhile causes. For CDC, corporate responsibility is a way of doing business, not just another slogan.

With so many people quick to criticize business, especially big business, it is refreshing to see a company like CDC receive some well-deserved publicity on its many outstanding contributions to the communities it serves.

I ask that the February 15, 1981, St. Paul Pioneer Press article on Control Data Corp. and Norb Berg be printed at this point in the RECORD.

The article follows:

NORB BERG—HE'S THE GUIDING FORCE OF CONTROL DATA'S INNOVATIVE PEOPLE PROGRAMS

(By Don Clark)

Products and services can be copied. Dynamic executives retire or get lured away. Only constant innovation guarantees survival of high-technology firms.

And Control Data Corp. is betting that its people will "out-innovate" the competition.

The confidence stems from the work of Norbert Berg, Control Data's deputy chairman and guiding force of its personnel programs since 1959.

Berg's secret? Friends and Control Data observers boil it down to two words: helping people.

An Eastern European couple defected in 1977 and moved to Minnesota, leaving their two children behind. The man became a Control Data employee, and the couple unsuccessfully tried government channels to free their children.

"I happened to mention this to Norb," recalls Minnesota Vikings coach Bud Grant. Berg's long-time hunting buddy. "To make a long story short, he got them over here in nothing flat. It was Control Data clout."

In the public eye, Berg and other generals at the Bloomington-based multinational have been overshadowed by founder, chairman and chief executive officer William Norris. But Norris, 69, now leaves most operating details to Berg, 48, and Robert Price, 49, president and chief operating officer.

Moreover, Berg has been the prime mover behind many of Control Data's celebrated "corporate responsibility" projects—from building plants in the inner city to helping small businesses to saving the family farm to hiring prison inmates, while still in prison.

"I don't think a company of this size could carry on projects like these without a Norb Berg," says Norris. "His major weakness is that he sometimes tries too hard to help people. But if you have to have a fault, that's one of the better ones to have."

Helping people definitely extends to Control Data's own personnel, which have access to a wealth of employee assistance and training programs. Some, including a 24-hour

counseling hot-line (EAR) and an extensive employee health program, already are being marketed to other corporations.

But, to hear Berg talk, potential profit from such programs is secondary to productivity benefits, which the company hopes will help Control Data match gains in foreign corporations.

"You can't pick up the paper without hearing about productivity," he said recently in his office at Control Data's tower in Bloomington. "People say 'it's the Japanese, and that's a cultural thing and you can't change the culture, so forget it.' I can't buy that.

"We've got a long history of a different kind of culture at Control Data with our employees," Berg said. "It's enlightened self-interest. We've got a tremendous investment in our work force. It's an idea industry, a brain industry. I could sit here and build a very crass case why I should have a fantastic employee relations program, but I think people could see through that. It's got to be day after day after year after year that we really do care about our people."

One sign of Berg's effectiveness is that he can't remember the last time a union won the right to bargain for Control Data workers. He can recall 13 employee elections that removed existing unions.

"If we get a labor union in a location, then we deserve it," Berg said, "because we've failed to convince our employees that they don't need a third party to see that they're treated the way they'd like to be treated.

Absenteeism, turnover and tardiness afflicted Control Data's first inner city operation, begun in 1968 on the north side of Minneapolis. To keep the plant operating smoothly, Control Data ended up providing legal assistance, financial assistance, a nonprofit day-care center and the EAR counseling program.

"My job was to make the resources available so we could provide the services to make those problems go away," Berg recalled. "So all of the sudden we looked around and we had solved all of the damn problems and the thing was working very smoothly and it has for years and years."

Berg's old friends link many of his ideas with his religion and academic background. But it may go back further than that, back to his childhood in the Wisconsin town of Edgar—population 808—living in poverty with seven brothers and sisters.

"I remember my mother crying when I took the last syrup in the bottle before my brothers and sisters had any," Berg said in a recent speech to Control Data workers.

He attended what he calls the Benedictine "poor boys prep school" at St. John's in Collegeville and later St. John's University. But it was at the University of Minnesota industrial relations center that Berg began to connect Catholic morality with modern theories of employee relations. Berg graduated with a master's degree in 1957, and since then has put in long hours on the center's advisory boards and hired scores of center graduates.

"The theory was that most problems are human problems," summed up Herbert Heneman a long-time friend and the industrial relations professor who recruited Berg.

"You hired your mistakes. Every manager was a personnel manager and they had to be trained," Heneman said. "This was new and it was almost heresey. Norb grabbed it and ran off with it. He's got the best personnel department in the world."

Theories were grafted onto natural ability. "He has the best grasp of human nature of anybody I've ever known," says president Price.

Standard Oil Co. of New Jersey gave Berg his first personnel job. But raising a family in New Jersey did not appeal to Berg and new wife Marilyn, and Standard—the largest American corporation at the time—was too big. He took a 10 percent salary cut to return to Minnesota and work at an 180-employee computer company located in an old paper warehouse in downtown Minneapolis.

Control Data has grown phenomenally since those years—to $3.8 billion in sales in 1980—and diversified so widely that many analysts expect service divisions soon will bring in more cash than the company's well-known computer products.

Berg's job has grown with it: today he oversees 58,000 employees in 47 countries. His salary in 1980 was more than $400,000.

"He's obviously loaded, but you'd never know it by talking to him," said John Gagliardi, an old friend who coached one of Berg's four athletic sons at St. John's. (Berg boasts that he and his wife, long-time St. Paul residents, one year watched their sons in 32 games.)

"He'd try to do anything I ask him," Gagliardi said. "I just don't know what to ask him."

Betty Jean Barr started work as a collator in 1970 at Control Data's bindery in St. Paul's Selby-Dale neighborhood, an experimental effort to give part-time work to mothers and students in the minority community.

"It turned out there were opportunities for advancement through the plant," recalls Barr, who has been steadily promoted and now manages a similar plant begun last year near downtown Minneapolis. "I really can't find words to describe Mr. Berg. A lot of people with important jobs are fairly distant. He comes down and he talks to you."

When he repeats William Norris's slogans of "addressing society's problems as business opportunities," Berg speaks with authority—many Control Data initiatives were his ideas.

So the perennial jabs from Wall Street—that Control Data cares too much about saving the world and not enough about profits—make him a bit testy.

"Look at what we've done in the inner city of Minneapolis, St. Paul, Washington, D.C. and elsewhere. If you want to argue just cold buisness reasons, I'll give you cold business reasons," Berg said.

"Some economists predict that in the mid-80s there will be a tremendous shortage of lower-level employees, birth patterns being what they are. If that's the case, we have more know-how than any company in the United States in how to utilize employees that other companies have shied away from, the so-called hard-to-employ, the people coming out of prisons, people who are handicapped, people who are home bound. People who are unskilled.

"Those things don't bother us. We know how to attract, retain and motivate such people, and we've done it over and over again," Berg said.

And Berg points out that he has driven a pretty hard bargain on siting Control Data plants, insisting that cities equalize inner-city land prices with the suburbs. In the case of the world distribution center that recently opened at I-94 and Dale St., the land discount was about 300 percent.

"It's a matter of survival," Berg insisted. "I should be able to explain to stockholders who ask, 'how can you justify putting that plant in the inner city where the land is 10 times as much and the taxes are three times as much?' I'm a businessman and I represent the stockholders, and I'm obliged to negotiate with the city for the very best deal that I can get," Berg said.

Most city officials are convinced.

"It was probably the most thoroughly positive experience of my entire public life," said St. Paul Mayor George Latimer of his negotiations with Berg for the world distribution center.

David Jones' house used to stand on the site of Control Data's world distribution center in St. Paul, and he calls the city's decision to allow the plant a "personal disaster." Yet when he was having trouble straightening out relocation benefits with the St. Paul Housing and Redevelopment Authority, he called Berg's office.

"He put his boys on it and they called the people at the housing authority, who were basically telling me to go to hell," Jones said. "Overnight, so to speak, they turned the situation around. If it were not for his intervention, I would have been in a critical situation."

Berg has pushed Control Data's efforts to help convicts, which include loaning executives to help corrections officials and training prisoners on the company's computer education network. Federal Parole Commissioner Dick Mulcrone recalls he was able to place "at least several dozen" prisoners in jobs at the company.

These efforts also led to one of Control Data's few failures in the "good works" line—a program known as Wheels. The plan was to give ex-convicts low-interest loans to buy used cars from a Control Data leasing subsidiary.

Wheels ran into several conventional problems, such as high-interest rates. It also ran into what Berg refers to as "white collar crime," with losses that he confirmed were more than $40,000.

"The end of the story is they overtrusted some people and they got stung badly," Mulcrone said. "If that had happened in most corporations in America, the accountant types would have said go and don't darken my door again.

"Instead it was 'where did we go wrong? How do we put it back together,' " said Mulcrone of the program, which is scheduled to be revamped and restarted. "If there was anyone who believes in losers more than Norb Berg, I haven't met him."

Another brand of recent losers—high-level officeholders from the Democratic Party—also have been turning up regularly in a wide variety jobs and consultant arrangements for Control Data. The group includes former Vice President Walter Mondale and former Minnesota Gov. Rudy Perpich.

Berg says he is a political independent, but admits he has been intimately involved in negotiations and planning concerning the appointments.

"I've spent my whole life here trying to find good people for Control Data. There are some people coming out of government that are not paid as well as many industrial people are, so you don't have a problem dealing with them from a salary standpoint. They usually have had a lot of responsibility and some good experience in related areas. There's pretty good bargains in the process.

"And there aren't many Republicans running around these days. I sort of wish there were so I could hire them," he added.

William Norris tells a story about hurriedly passing a shoeshine boy with Berg on their way to an engagement in Baltimore. When he looked around, Norris saw Berg having his shoes shined. "He didn't need a shine. He was just trying to give that kid a lift."

From Berg's window atop Control Data headquarters, with the telescope given to him by Bud Grant, you can see ducks on the banks of the Minnesota River, the flash of inquisitive deer and an occasional red fox sunning itself.

That is a world Berg loves, the world he visits whenever he can, and the world most apparent from his office decor. Friends describe his almost manic need for solitude after working with people day after day.

"He will sit in the woods all day with a gun in his hand praying that he won't see a deer," said Roger Wheeler, a Control Data vice president for personnel and public affairs. "But

when Berg goes away for any length of time I know the day he comes back is going to be hell. He pours out ideas."

As much as Berg loves trips to his Wisconsin cabin, however, people are still paramount, says Wheeler, one of Berg's closest friends at the company. His guess is that part of that stems from an emotional involvement in their pain and triumphs.

"Norb Berg cries at bake sales," said Wheeler.

After many years of paying property tax for his cabin in the state of his birth, Wisconsin, Berg tired of paying substantially higher fees for out-of-state hunting permits. So he is suing the state of Wisconsin.

"It's unfair," said companion Grant. "He's not going to win, but he's sure going to ruffle some feathers over there. He's got the whole state in an uproar."

On Berg's shelf is a small plaque among the mounted game trophies. It reads: "This fish will always be one pound lighter and one inch shorter than any similar fish caught by W. C. Norris."

The message holds a grain of truth about Berg's intentions toward the top Control Data spot: he says he would like to be chairman, but has no interest in the chief executive's role.

To Norris, that is one of his most valuable qualities.

"Not many people see things that clearly," Norris said. "At first some people didn't believe it. But having someone around who has that point of view is an enormous help to a chief executive officer. He can talk to people in a way that's not possible if they view him as a rival."

For Berg, it's a decision based on personal interest. But as most of his friends point out, Berg's personal interests wind up having quite an effect on other people's lives.

"Bob (Price) and I complement each other very well. He does a fantastic job of running the operations of the company," Berg said. "I didn't develop myself or pick up the experiences that would be necessary along the line.

"That's my desire. I have much more fun doing things that I do."

JAPAN-UNITED STATES ECONOMIC RELATIONS GROUP

● Mr. DURENBERGER. Mr. President, today I would like to acquaint my colleagues with the final report of the Japan-United States Economic Relations Group. Two years ago President Carter and the late Prime Minister Ohira established a working group of private citizens to examine economic relationships between the United States and Japan. Edson W. Spencer, chairman of Honeywell Inc., and a distinguished Minnesotan, was one of America's four representatives.

The United States and Japan are the largest and second largest industrial democracies. Both nations have a vital stake in the preservation and promotion of a stable world order favoring the survival and prosperity of societies based on principles of law, nonaggression, popular sovereignty, and private entrepeneurship.

Mr. President, this economic relations group recently published its final report, a thoroughly excellent document outlining the challenges facing both countries in the coming decade. Mr. President, I ask that the foreword, executive summary, conclusion, and list of members be reprinted in the RECORD for the benefit of my colleagues. I urge you to take time and review it. Trade relations between the United States and Japan will have a profound effect on our lives. I have yet to see a report that better analyzes the issues bearing on that relationship.

The material follows:

FOREWORD

The Japan-United States Economic Relations Group, consisting of eight private citizens of the two countries, was established pursuant to a joint communique of May 2, 1979 from the late Prime Minister Ohira and President Carter. The purpose of the Group is to examine factors affecting the bilateral economic relationship over the longer-run and make recommendations to the President and the Prime Minister designed to strengthen it.

The Group's chairmen are Ambassador Nobuhiko Ushiba former State Minister for External Economic Affairs, and Ambassador Robert S. Ingersoll, former Deputy Secretary of State. Other members are Akio Morita, Chairman, Sony Corporation, Shuzo Muramoto, President, Dai-Ichi Kangyo Bank, Ltd., Kiichi Saeki, Chairman, Nomura Research Institute, A. W. Clausen, President, Bank of America, Hugh T. Patrick, Professor of Economics, Yale University, and Edson W. Spencer, Chairman, Honeywell, Inc. Joint consultations among all members took place in Washington in December, 1979, Tokyo and Oiso in May, 1980. Honolulu in August, and San Francisco in November. The Group was substantially aided by small and effective staffs and a series of commissioned background studies in both countries.

During the past year, the Group examined a broad range of bilateral and multilateral issues relating to Japan-United States economic relations. The members have consulted with a wide segment of organizations, private and official, and with many individuals in both Japan and the United States so that their views could be considered in the discussion and recommendations. The Group came away from its work with a strengthened conviction that the bilateral economic relationship is of tremendous importance to the future security and welfare of both countries, and indeed to the world. The Group believes that the current economic and political relationship between the two countries is, in general, healthy and mutually rewarding. To enhance the relationship and improve the two countries' ability to meet shared global challenges, however, the Group has addressed a broad set of problems. These include such matters as inadequate consultative mechanisms between the two governments, mistaken or outdated perceptions of each country in the other country, inadequate American economic performance, lagging liberalization of the Japanese market, unresolved energy issues, and the politicization of economic and trade disputes. All too often, both governments and their respective private sectors have failed to face up to difficult problems.

Given its purposes most of the Group's recommendations are addressed to the President and the Prime Minister and directly concern the two countries' relations. Others, such as those on improving United States productivity and on the internationalization of Japan, are directed primarily to just one government and appear more domestic in nature, but will have an important beneficial effect on United States-Japan economic relations. Still other recommendations are addressed to the private sector since in the market oriented private enterprise system of both countries, it is consumers, management, and labor that ultimately determine the success of the economic relationship. The Group believes that implementation of all its recommendations, while some are politically difficult, is in the long-term national interests of both countries and will enhance the relationship between them.

EXECUTIVE SUMMARY

Over the past year, the Japan-United States Economic Relations Group has examined a broad range of bilateral and multilateral issues relating to the two countries' economic relations. We have found that a generally healthy economic and political relationship exists between Japan and the United States, but that a number of problems need to be addressed to improve the bilateral relationship and enhance the effectiveness of the two countries in cooperatively dealing with global challenges. These problems included inadequate consultative mechanisms between the two governments, mistaken or outdated perceptions of each country in the other country, inadequate American economic performance, lagging liberalization of market access in Japan, and, all too often, a failure by the governments and private sectors in both countries to face up to difficult problems.

I. THE UNITED STATES-JAPAN ECONOMIC RELATIONSHIP IN A GLOBAL CONTEXT

Because of their broad international ramifications, many of the problems affecting United States-Japan economic relations are not amenable to bilateral solutions. Progress in solving these broader economic problems, however, rests heavily on a close, effective, and comprehensive partnership between Japan and the United States, the two largest market economies in the world.

This partnership should be based on three principles:

The relationship between Japan and the United States involves shared responsibilities for the management of the international economic and political order.

Japan needs to develop and articulate a new, more active international role.

The United States needs to recognize more fully the implications of the postwar diffusion of power and the demands of a more interdependent world.

In implementing these basic principles, it is important to adhere to key guidelines such as those provided by GATT and similar existing international agreements.

Close intergovernmental relations are the key to developing a stronger sense of global responsibilities and addressing interrelated aspects of bilateral and global issues.

A review of existing consultative mechanisms shows the need for closer and more regularized consultations at all levels.

Beginning in 1981, there should be periodic joint meetings of cabinet officials of the core departments and ministries dealing with foreign relations, trade and industry, energy, agriculture, and financial and monetary issues.

To improve the effectiveness of their bilateral cooperation and strengthen their ability to work together on global problems, both Japan and the United States need to develop new international roles and to "internationalize" their societies.

In order to make more reliable and effective the cooperation and coordination between Japan and the United States with regard to security as defined by the terms of the Japan-United States Security Treaty, Japan should clarify its defense role, strengthen its self-defense capabilities, and shoulder a more equitable burden with the United States in attaining comprehensive security. Japan must contribute to both regional and world security, specifically by augmenting economic cooperation with Third World countries, and undertaking diplomatic and political initiative and leadership.

The United States must improve the quality of its consultations with its allies, including Japan. Because domestic political considerations often put a premium on prompt, decisive, and unilateral presidential action, it will require strong leadership and some political sacrifice to forego unilateral policy

decisions in favor of increased consultation with allies.

Both governments should improve training in international affairs for civil servants (especially those in more domestically oriented ministries and departments).

Encouragement should be given to increased and even more intensive and effective contacts and communications among business leaders in Japan and the United States through existing mechanisms and economic organizations as well as through new channels as appropriate.

There should be increased joint policy research activities and intensified exchange programs for legislators, business and labor leaders, and others in the public and private sectors.

II. BASIC ELEMENTS OF THE ECONOMIC RELATIONSHIP

The United States-Japan economic relationship is of substantial benefit to both countries by stimulating competition, expanding product choices, adding to available capital and technology in each country, and increasing overall economic efficiency. At the same time, there are inevitable frictions over such matters as changing patterns of competition in particular industries, bilateral merchandise trade and current account imbalances, the handling of foreign exchange rate fluctuations, and efforts to coordinate macroeconomic policies. The President and the Prime Minister should play a more active role in improving public understanding of the causes and implications of bilateral and global economic interdependence.

In particular, there needs to be a better understanding of the reasons for trade and current account imbalances. There have been serious adverse consequences of a continued, narrow United States focus on the bilateral trade imbalance.

The trade imbalance reflects structural differences between the two countries and would exist even if there were perfect access to the Japanese market for American products or if American economic policies were well managed. It reflects an efficient allocation of resources for the two countries.

Current account balances are affected by many factors, including changes in energy costs, the interaction of domestic demand and world business cycles, and differences between domestic savings and investment rates.

Better criteria than trade and current account balances in evaluating a nation's economic policies and performance include stability and predictability of its macroeconomic policies, its avoidance of unfair trade practices, access to its markets, its avoidance of using exchange rate policies to promote its exports and its trade, worker retraining, and other positive adjustment measures to solve domestic problems of adjustment to the system of international competition.

Because savings in Japan seem likely to remain relatively high compared to domestic investment demand, it is likely that Japan will have a long-run tendency to run a current account surplus and thus be a capital exporter.

While Japanese capital exports will benefit the world, the United States will continue importing large amounts of manufactured goods from Japan. Japan should avoid sudden surges of exports in specific products which cause serious injury to American or other foreign firms.

Exchange rate fluctuations have been particularly wide in a recent years. The efficient operation of the floating exchange rate adjustment mechanism requires a well balanced, long-rate perspective within government monetary institutions.

Japan should continue its trend toward greater responsibility for the maintenance of the international financial system by further improving capital liberalization and sharing the responsibilities of a key currency country.

Exchange rate stability requires also stable, predictable macroeconomic policies, control of inflation and improved productivity performance in the United States.

Attempts to tightly coordinate macroeconomic policy and set bilateral macroeconomic targets have proved ineffective in the past as well as politically controversial.

The Unted States and Japan should consult closely on macroeconomic policies, but avoid attempts at tight coordination.

There need to be new forums for macroeconomic consultation at both the cabinet and working levels.

III. THE IMPACT OF ENERGY ON THE RELATIONSHIP

Cooperation or conflict in energy policies may well be the most important test of the viability of the American-Japanese partnership. A high degree of energy interdependence requires more intense consultations on all aspects of the energy problem.

A ministerial level joint committee should be established to meet at least once a year on a regular basis to review and coordinate the disparate consultations now carried out in various other forums and address energy problems in a comprehensive manner.

One of the most critical threats to the security and economic well-being of both countries is the possibility of a major interruption in petroleum supplies. The two governments are simply not prepared to deal with this threat.

It is imperative that the two governments immediately undertake a crisis management study and formulate specific measures to be taken in the event of a large-scale supply interruption.

Contingency planning should be expanded as quickly as possible to other major petroleum consuming countries.

The United States and Japan should take the leadership in strengthening the capacity of the International Energy Agency to deal with both large-scale and small-scale supply interruptions and coordinate stockpiling policies.

To improve the efficiency with which currently available petroleum supplies are transported and used, there should be a change in United States policy to allow Alaskan oil which is surplus on the United States West Coast to be exported to Japan in exchange for other oil already committed to Japan.

To develop alternative supplies of energy supply, there needs to be very substantial research and development in energy related technologies.

Both governments, but especially Japan, must make a much greater effort in energy research and development. A substantially augmented Japanese program would not only help equalize the burden, but be an important contribution to meeting Japan's global responsibilities.

No alternative source of energy can be overlooked. Both governments and their private industries should accelerate nuclear power development, including the use of the fast breeder reactor as it becomes economically feasible.

Because of vast United States coal reserves, coal offers a particularly attractive basis for substantially augmented United States-Japan energy cooperation. Both countries can benefit from further development of United States mines and exports to Japan.

The two governments should foster an environment that will encourage investment by the private firms of both countries in coal development, including mining, transportation facilities, and coal gasification and liquefaction in the United States.

The two governments should explore possibilities for bilateral arrangement embodying secure access to markets for American coal in Japan and American assurance of coal supply to Japan.

Increased United States exports of oil, coal, and nuclear energy materials will improve the bilateral trade balance between Japan and the United States.

IV. AMERICAN PRODUCTIVITY AND THE MANAGEMENT OF THE UNITED STATES ECONOMY

As long as the United States economy suffers from inflation, low savings rates, low rates of capital formation and investment, inadequate expenditure on research and development, burdensome regulation, and low productivity growth, the United States-Japan economic relationship will face severe strains. Improved United States management and strengthening of the supply side of its domestic economy could be one of the most important factors in improving United States-Japan economic relations.

To improve productivity, the following steps should be taken by the American government:

Productivity should be a major focus of United States economic policy. To do this, the President should convene a White House National Productivity Conference.

Economic policies should foster a non-inflationary, stable economic climate, conducive to investment and improvements in productivity.

The President and Congress should develop specific longer-term programs to improve savings and investment rates such as investment tax credits, the reduction of personal and corporate and capital gains taxes in a non-inflationary manner, and the shortening of depreciation schedules.

The President and Congress should adopt new programs to stimulate research and development and innovation.

The American government should reduce the regulatory burden and make productivity a principal consideration in the formulation and implementation of regulations.

The United States government should sponsor a comprehensive research program on the measures Japan and other foreign countries have taken in the public and private sectors to increase productivity.

Given the proper economic environment, it is the primary responsibility of the private sector to improve productivity performance. The following steps should be taken in the private sector:

United States corporate management should make long term productivity improvement a principal objective, building productivity considerations into corporate objectives, management attitudes, and management compensation programs.

Management and labor should consult closely on productivity trends and problems and on opportunities for improving productivity performance.

Corporate and labor leaders in both countries should establish joint programs to enhance productivty and increase bilateral understanding of shared problems.

V. JAPAN'S MARKET: OPEN OR CLOSED?

The American perception of the Japanese market as closed to foreign business has contributed to tensions in the bilateral relationship.

In terms of tariffs and quotas, the Japanese market is as open as the American market for comparable manufactured goods.

In terms of government procurement practices, foreign investment rules, entry of services, and procedures for standards, inspections, and testing, Japan's market is not as open as the American market and more needs to be done to liberalize market access to Japan's own national interest.

There are special difficulties for foreign business in Japan from more intangible factors such as administrative procedures, traditional business customs and mores, and cultural and social barriers to foreign influence.

To improve market openness in Japan and the foreign perception of the Japanese market as open, the following measures should be taken:

The recently enacted, more liberal Foreign Exchange and Foreign Trade Control Law should be implemented by the Japanese government in ways fully consonant with the principle of freeing foreign transactions from restraint. Exceptions to this principle allowable in the new law should be invoked only in genuine emergency situations.

Both governments should implement the GATT government procurement code and cooperate in seeking to increase its coverage in later renegotiations of the code.

The Prime Minister should establish a powerful central office for the consideration and resloution of trade and investment issues. This office should deal with broader policy issues as well as company-specific complaints.

The two governments should provide support and financial assistance to the Trade Study Group, a voluntary group of American and Japanese governmental officials and businessmen in Tokyo who have played a major role in identifying trade barriers and bringing together foreign and Japanese business and Japanese governmental authorities to resolve trade problems.

Japan should make its economic decision-making processes more publicly visible, like those of the United Staates. There should be additional opportunities for private sector access to these processes.

American businessmen need to improve their efforts to gain access to the Japanese bureaucracy.

VI. INDUSTRIAL TRADE ISSUES

Competition in industries such as textiles, automobiles, steel, and electronics products has been a major source of controversy in United States-Japan trade relations. Trade protection is not an appropriate remedy for industrial trade problems. In general, it delays economic adjustment and hurts the ability of the protected industry to meet the demands of international competition. It also can seriously injure the overall competitiveness of an economy by increasing rates of inflation. Protectionist measures are also contrary to consumers' interests in lower prices, wide choice of designs, quality, and services.

The following basic principles should govern industrial trade relations:

The two governments should foster a stable, non-inflationary investment climate which encourages economic growth and facilitates adjustments.

Both governments should maintain policies promoting a world free trade and investment environment.

Both governments should adhere to the principle of equal national treatment in programs relating to industries.

There should be a clear understanding in both countries of foreign industrial policies and specific industrial problems. There should be periodic bilateral discussions between Japanese and American governments on trade and investment restrictions, liberalization programs, implementation procedures, and industrial programs.

There should be bilateral business, labor, and government dialogues, consonant with law, to identify and discuss potential industrial trade issues before they become major disputes.

Both governments need to be more conscious of the international implications of domestic economic policies.

Corporations, especially in the United States, need to have a longer-term, more internationally oriented perspective.

Free trade and investment policies should be maintained for all industries, including the steel, automotive, and semiconductor industries.

VII. AGRICULTURAL TRADE ISSUES

Mutually beneficial economic interdependence is nowhere more evident than in the case of agricultural trade, but steps need to be taken to further open the Japanese market to foreign agricultural products, restructure Japanese agriculture to make it more efficient and competitive, and to improve food security for Japan.

Japan should continue to shift away from the use of quantitative restrictions on agricultural imports and to ultimately eliminate them by redirecting support policies so that international prices are more adequately reflected in determining the level of domestic price supports.

Japan should continue to encourage the expansion of the land rental market to help increase the average size of farms and strengthen the poistion of full-time farmers.

The fear of food shortages in Japan is very real, but food security cannot be guaranteed through high protection of inefficient agriculture except at extremely and unacceptably high social and financial costs.

To increase food security, Japan should establish a more adequate wheat and feedgrains reserve.

The United States and Japan should enter into negotiations leading to medium-term supply and purchase arrangements.

VIII. PROBLEMS IN U.S. TRADE LAW AND THE UNITED STATES-JAPAN ECONOMIC RELATIONSHIP

There is concern in Japan that recent changes in American trade laws have moved in some areas in a protectionist direction and may act as a non-tariff barrier to trade. At the same time, many Americans believe that these laws are fully consistent with international codes, provide legitimate defense for domestic industries against unfair trade practices, and are needed to support an overall liberal trade policy.

Because of the differences of opinions in this area, both governments should undertake an examination of American and Japanese trade laws and practices.

Similar efforts should be carried out on a private basis among specialists in both countries.

As a long-term measure, the two governments should provide leadership in further strengthening international codes dealing with injurious trade practices.

IX. ECONOMIC DISPUTES AND POLITICAL FRICTION

United States-Japan economic and trade issues have often become serious political issues in both countries, leopardizing valuable cooperation in non-economic as well as economic arenas. Both governments should make strong efforts to contain policitization of inevitable instances of economic friction.

Officials in both countries should improve their knowledge of and sensitivity to the domestic political situation of the other country in order to avoid highly visible political conflict.

Especially on the United States side, there is a need to discard misleading images, such as that of "Japan, Inc."

On the Japanese side, there is a need for government, media, and other leaders to put American political statements and Congressional action in a broader perspective.

Americans must be sensitive to the use of what appear to be heavy-handed pressuring tactics. Japan should respond earlier to "softer" signals and not invite pressure.

Each side should avoid using the other as a scapegoat despite the short-run political benefits of sometimes so doing.

United States officials should beware of intruding too deeply into Japanese economic decision-making, particularly on issues normally considered domestic in nature.

Japanese negotiators should speak up more, countering American criticism as squarely as possible, to minimize misunderstandings or misperceptions of their position.

A cardinal principle in American-Japanese diplomacy in the future should be an effort to negotiate on the basis of mutual and reciprocal benefit.

X. CONCLUSION

The sheer size of the United States-Japan share of the global economy and world trade requires the maintenance of a close, mutually rewarding economic relationship. It is vital to both countries and the world. Yet, in any bilateral relationship as encompassing, intense, and diverse as that between Japan and the United States, there will inevitably be some differences in national interest and, therefore, occasions for bilateral tension. What is essential is that these occasional differences be viewed in a broader, long-term perspective, addressed directly and resolved in a mutually benencial manner, and not be permitted to imperil the overall relationship.

In its work, the Group could not examine all of the many challenges the two countries face in their economic interactions with each other and the rest of the world. We chose to give attention first to those issues which have been most visibly troubling the United States-Japan economic relationship. We feel that a number of potentially important problems need further attention. These include not only issues of trade relations and differences in the structure of the two economies, but also those involving the shared global responsibilities of a more comprehensive United States-Japan partnership. Continuing attention to these issues in both countries is the best guarantee of a healthy long-term United States-Japan economic relationship.

CONCLUSION

Each year, Japan and the United States together produce about 35 percent of the world's new output and engage in almost 20 percent of the world's trade. For this reason, the two countries' success in maintaining a close, mutually beneficial relationship is not only vital to their own prosperity and security, but critical to the world as a whole. Progress in solving the broader problems of the international economy depends in large part on a close, effective United States-Japan partnership.

In the preceding pages, we have repeatedly stressed that in any relationship as encompassing, intense, and diverse as that between Japan and the United States, there will inevitably be some differences of interest and some friction. What is essential is that this friction be viewed in a broader perspective and not be allowed to imperil the overall relationship.

The Japan-United States Economic Relations Group has been a unique experiment in the two countries' relations. Never before have the two heads of government jointly requested a binational group of private citizens to examine the issues affecting the relationship and make policy recommendations directly to them.

We all believe this experiment has been highly successful. During the past year, we have engaged in many hours of intense discussion and as this report demonstrates, have been able to arrive at common points of view on many issues. The Group has sponsored research involving both Japanese and American experts, and believes that this kind of joint policy oriented research can have an important impact on improving mutual understanding of bilateral and global problems.

In the past year, we could examine only some of the many challenges the two countries face in their economic interactions with each other and with the rest of the world. We chose to give attention first to those issues which have been most visibly troubling

the United States-Japan economic relationship. We feel that a number of potentially important problems need further attention. These include not only issues of trade and institutional structure, but also those involving the shared global responsibilities of a more comprehensive American-Japanese partnership. Their consideration would benefit from further examination by a binational group not burdened with day-to-day governmental policy responsibilities.

LIST OF MEMBERS

THE JAPAN-UNITED STATES ECONOMIC RELATIONS GROUP

Chairmen

Nobuhiko Ushiba, Former State Minister for External Economic Affairs.

Robert S. Ingersoll, Chairman, Japan Society, Inc.

Members

Akio Morita, Chairman, Sony Corporation.

Shuzo Muramoto, President, Dai-Ichi Kangyo Bank, Ltd.

Kiichi Saeki, Chairman, Nomura Research Institute.

A. W. Clausen, President, Bank of America.

Hugh T. Patrick, Professor of Economics, Yale University.

Edson W. Spencer, Chairman, Honeywell, Inc.

Executive Directors

Tadashi Yamamoto, Director, Japan Center for International Exchange (JCIE).

Charles E. Morrison, Research Advisor, Visiting Fellow, JCIE.

Jack B. Button, Former Minister-Counselor, The American Embassy, Tokyo.

W. Andrew Osterman, Deputy Director.●

THE REAGAN ERA AND CORPORATE SOCIAL RESPONSIBILITY

● Mr. DURENBERGER. Mr. President, while most Americans have been cheering the economic recommendations of President Reagan, many of our constituents are wondering how we will meet the legitimate social goals that seem threatened by budget cuts.

As I look at the tremendous resources in our country—the combined talents and ability of Government, business and the voluntary sector—I am convinced that we can achieve our social goals. The budget cuts at the Federal level will not take anything away from anyone. Instead, the redirection of Government will simply change the way we pay for services.

The rationale for Federal spending cuts goes beyond our abhorrence of a bloated Federal budget and double-digit inflation. Cutting the budget is a message to the public—and to some politicians—that Government cannot and should not be all things to all people. Our country is blessed with other resources that can and will provide services. It is Government's legitimate role to set national policy and to provide the encouragement, the incentives, and the opportunity for others to achieve that policy in many cases.

Voluntary organizations throughout the country are already following this formula. In fact, in many ways, the recurring theme that has set America apart from other societies, even other democracies, has been our citizens' involvement in voluntary service activities. Private citizens have always been involved in the delivery of services as well as in the determination of policy.

Part of our new commitment to redirect the national Government must be the provision of incentives for volunteerism. Inflation is a disincentive that is robbing voluntary organizations of their ability to attract volunteers and is eroding contributions. Reducing inflation and passing legislation like the bills I am proud to support to increase the mileage tax deduction and the charitable contributions tax deduction are the incentives we need.

The private for-profit sector also has a major role to play in this redirection of public service delivery. In many areas, the private sector has already taken the lead in providing services. In other areas, through legislation I and others have introduced—ridesharing and health care, for example—business may have the opportunity to do even more.

Business, though, is faced with many difficult questions as it studies its opportunities in "social responsibility."

The Clearinghouse on Corporate Social Responsibility, in its publication Response, thoughtfully laid out these opportunities and challenges. I might add, by the way, that I am proud that two Minnesotans, John E. Pearson of Northwestern National Life and Arley Bjella of Lutheran Brotherhood, have been actively involved in the Clearinghouse.

Mr. President, I ask to have printed in the RECORD the editorial from Response.

THE REAGAN ERA AND CORPORATE SOCIAL RESPONSIBILITY

(By Stanley G. Karson)

What is the impact of the November elections on the course of corporate social responsibility?

What does the apparent conservative swing say about the social and community problems that have been addressed increasingly by business leaders?

The answers to these questions, asked of the Clearinghouse and discussed at the most recent meeting of the industry's Committee on Corporate Social Responsibility, may well disturb some, particularly those expecting pat answers. So that there not be confusion over basic terms, let us begin the answer with a definition: corporate social responsibility involves the conduct of a business so that it is financially profitable, economically useful, ethically correct and socially supportive.

The financial, economic and ethical components of this definition should either benefit under the Reagan Administration or not be affected one way or the other. But during the next four years, will business expand or contract the social role—that element of corporate social responsibility which attends to critical problems of the community and of society at large?

As national priorities change from government spending for social programs to inflation curbs, tax reduction, budget balancing and military spending, it is clear that the private sector—to a great degree, the corporate world—will find itself pressed to fill some of the void. This is an inevitable consequence that must be faced by owners and managers of America's business. Millions of Americans who voted against massive Federal spending, proliferating government programs and excessive regulation on November 4th were saying implicitly that approaches and solutions using private sector initiatives should have a chance.

How business responds to this challenge will shape much of the future for both business and society in the years ahead. If either of the following options are pursued, trouble lies ahead:

1. Corporate executives misinterpret the signs, both of the electorate and of history, and withdraw, even faster than Washington, from the social arena. They adopt a business-as-usual posture, concentrating exclusively on higher-than-usual profits. And all the while, the sores that infect their communities, even their markets, become worse than usual. *Warning:* If any lessons have been learned over the years—and that is always a big "if"—problems ignored become problems enlarged.

2. In the euphoria of a simpatico, pro-business national administration, some corporate leaders are convinced that they have all the ideas, talents and resources to save the nation. They toy with thoughts of single-handedly solving welfare, public education, unemployment and urban development. *Warning:* As government cannot, without grave risks to our political and economic structure, assume the rightful role of business, so business cannot take over proper functions of government.

No, the effective social role for pragmatic, aware, concerned business leadership is not in these two scenarios. Rather, it must be as a moderate, middle-of-the-road influence, looking to strengthen the nation's economic and social system, attempting to hack away at the thickets of poverty, disease, discrimination and social unrest within the limits of the available talents and resources of the corporation.

For business to do less would spurn an opportunity to strengthen our social fabric that might not come again.●

A PATRIOTIC POEM BY A PATRIOTIC AMERICAN

● Mr. GARN. Mr. President, I wish to submit for the RECORD the following poem composed by Mr. Ernest N. Eklof, a resident of Utah. Mr. Eklof, as his poem demonstrates, is a devout and patriotic American. His poem, "The President's Inauguration," is dedicated to every man who takes the oath of President of the United States. More specifically, he addresses this poem to President Reagan, who for Mr. Eklof, personifies much of his patriotic poetry. I feel his verses closely capture the spirit of this exalted office. I hope all who read this poem may receive the same spirit in which it was written.

The poem follows:

THE PRESIDENT'S INAUGURATION

(By Ernest N. Eklof)

Expectant stands America this day,
  Demanding him who has become our choice.
And eager to move forward on her way.
  America are we, and we rejoice.
We make him ours, thus our pow'r display.
  He is our Chief, we listen for his voice.
Thus ours, and so destined, he shall be
  Our conscience. We endow him with our might,
To hold the bastion of liberty.
  And for its keep, with him we pledge to fight,
And with our efforts trust in Deity.
  To keep our freedom's beacon shining bright;
While stirring drumbeats from our past proclaim
  The sacred Constitution of our Land
For generations hence in freedom's name.
  We pledge our very lives, held by God's hand,

To keep the living torch of peace aflame—
An ensign for the world to understand.
America receives her president,
And he receives America to guide
Her years of destiny with our consent,
To make her past and future unified;
To guarantee her history's sure ascent,
And all for which our Land was sanctified.
But heavy is the burden which he bears,
To be our leader with sobriety,
From his beginning through fulfilling years.
With him, America, the brave, the free,
Let glory bask in human dignity!●

S. 574—FAMILY ENTERPRISE PRESERVATION ACT

● Mrs. KASSEBAUM. Mr. President, through an oversight, the text of estate tax legislation which I introduced on February 26 was not included as part of my introductory statement.

I ask that the text of S. 574 be printed in the RECORD at this time.

The text of the bill follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Family Enterprise Preservation Act".

SEC. 2. (a) Part IV of subchapter A of chapter 11 of the Internal Revenue Code of 1954 (relating to taxable estate) is amended by adding at the end thereof the following new section:

"SEC. 2058. BEQUESTS, ETC. OF CERTAIN PROPERTY USED FOR FARMING, ETC.

"(a) ALLOWANCE OF DEDUCTION.—

"(1) IN GENERAL.—For purposes of the tax imposed by section 2001, the value of the taxable estate shall be determined by deducting from the value of the gross estate an amount equal to the value of any interest in qualified tangible property which passes or has passed from the decedent to a qualified heir, but only to the extent that such interest—

"(A) is included in determining the value of the gross estate, and

"(B) is not excluded under this part (without regard to this section) in determining the value of the taxable estate.

"(2) LIMITATION.—The amount allowable as a deduction under paragraph (1) shall not exceed—

"(A) $750,000 with respect to interests in qualified tangible property which pass or have passed to the spouse of the decedent, and

"(B) $750,000 with respect to all such interests which pass or have passed to all qualified heirs of the decedent other than the spouse.

"(b) QUALIFIED TANGIBLE PROPERTY.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified tangible property' means tangible property (other than money) located in the United States which, on the date of death of the decedent, was being used for a qualified use, but only if 50 percent or more of the adjusted value of the gross estate of the decedent consists of the adjusted value of tangible property (other than money) which—

"(A) on the date of the decedent's death, was being used for a qualified use, and

"(B) passed from the decedent to a qualified heir of the decedent.

"(2) CERTAIN INTANGIBLE PROPERTY INCLUDED.—An interest in intangible property shall be treated as an interest in qualified tangible property to the extent such interest represents an interest in, or in connection with, any qualified tangible property which is real property. Such interests include any mineral interest, easement, or other similar interest.

"(3) QUALIFIED USE, ETC.—The terms 'qualified use' and 'adjusted value' have the meanings given such terms by section 2032A (b).

"(c) TAX TREATMENT OF DISPOSITIONS AND FAILURE TO USE FOR QUALIFIED USE.—

"(1) IMPOSITION OF ADDITIONAL ESTATE TAX.—If, within 15 years after the decedent's death and before the death of the qualified heir—

"(A) the qualified heir disposes of any interest in qualified tangible property (other than by a disposition to a member of his family), or

"(B) the qualified heir ceases to use for the qualified use the qualified tangible property which was passed from the decedent, then there is hereby imposed an additional estate tax.

"(2) AMOUNT OF ADDITIONAL TAX.—

"(A) IN GENERAL.—The amount of the additional tax imposed by paragraph (1) with respect to any interest shall be the amount equal to the adjusted tax difference with respect to the estate.

"(B) ADJUSTED TAX DIFFERENCE WITH RESPECT TO THE ESTATE.—For purposes of subparagraph (A), the term 'adjusted tax difference with respect to the estate' means the excess of what would have been the estate tax liability but for subsection (a) over the estate tax liability. For purposes of this subparagraph, the term 'estate tax liability' means the tax imposed by section 2001 reduced by the credits allowable against such tax.

"(C) PARTIAL DISPOSITIONS.—For the purposes of this paragraph, where the qualified heir disposes of a portion of the interest passing to such heir (or a predecessor qualified heir) or there is a cessation of use of such a portion, the adjusted tax difference with respect to the estate taken into account with respect to the transition involving the second or any succeeding portion shall be reduced by the amount of the tax imposed by this subsection with respect to all prior transactions involving portions of such interest.

"(3) PHASEOUT OF ADDITIONAL TAX BETWEEN 5TH AND 15TH YEARS.—If the date of the disposition or cessation referred to in paragraph (1) occurs more than 60 months and less than 180 months after the date of the death of the decedent, the amount of the tax imposed by this subsection shall be reduced (but not below zero) by 10 percent for each period of 12 full months after such 60 months and before the disposition or cessation.

"(4) ONLY 1 ADDITIONAL TAX IMPOSED WITH RESPECT TO ANY 1 PORTION.—In the case of an interest passing from any decedent, if subparagraph (A) or (B) of paragraph (1) applies to any portion of an interest, subparagraph (B) or (A), as the case may be, of paragraph (1) shall not apply with respect to the same portion of such interest.

"(5) DUE DATE.—The additional tax imposed by this subsection shall become due and payable on the day which is 6 months after the date of the disposition or cessation referred to in paragraph (1).

"(6) LIABILITY FOR TAX; FURNISHING OF BOND.—The qualified heir shall be personally liable for the additional tax imposed by this subsection with respect to his interest unless the heir has furnished bond which meets the requirements of subsection (d)(2).

"(7) CESSATION OF QUALIFIED USE.—For purposes of paragraph (1)(B), real property shall cease to be used for the qualified use if such property ceases to be used for the qualified use set forth in subparagraph (A) or (B) of subsection (b)(2) of section 2032A under which the property qualified under subsection (b).

"(d) DEFINITIONS; SPECIAL RULES.—For purposes of this section—

"(1) QUALIFIED HEIR, ETC.—The terms 'qualified heir' and 'member of family' have the meanings given such terms by section 2032A (e).

"(2) BOND IN LIEU OF PERSONAL LIABILITY.—If the qualified heir makes written application to the Secretary for determination of the maximum amount of the additional tax which may be imposed by subsection (c) with respect to the qualified heir's interest, the Secretary (as soon as possible, and in any event within 1 year after the making of such application) shall notify the heir of such maximum amount. The qualified heir, on furnishing a bond in such amount and for such period as may be required, shall be discharged from personal liability for any additional tax imposed by subsection (c) and shall be entitled to a receipt or writing showing such discharge.

"(3) INVOLUNTARY CONVERSIONS.—Under regulations prescribed by the Secretary, rules similar to the rules under section 2032A (h) shall apply to the involuntary conversion of an interest in qualified tangible property.

"(4) PROPERTY PASSING FROM THE DECEDENT.—The determination of whether an interest in property passes to any person shall be made in accordance with section 2056 (d).".

(b)(1) Section 6324B of the Internal Revenue Code of 1954 (relating to special lien for additional estate tax attributable to farm, etc. valuation) is amended—

(A) by inserting "or qualified tangible property (within the meaning of section 2058 (b))" after "section 2032A (b))" in subsection (a),

(B) by inserting "or the adjusted tax difference with respect to the estate (within the meaning of section 2058 (c))" after "2032A (c)(2)(B))" in subsection (a),

(C) by inserting "or the deduction is allowed under section 2058" after "section 2032A" the first place it appears in subsection (b),

(D) by inserting "or section 2058 (c)" after "2032A" in subsection (b) (1), and

(E) by inserting "or 2058 (c)" after "2032A (c)" in subsection (b) (1).

(2) Section 2013 (f) of such Code (relating to credit for tax on prior transfers) is amended—

(A) by inserting "or 2058" after "2032A" each place it appears in the text and heading, and

(B) by inserting "or 2058 (c)" after "2032A (c)" each place it appears.

(c) The table of sections for part IV of subchapter A of chapter 11 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new item:

"Sec. 2058. Bequests, etc, of certain property used for farming, etc.".

SEC. 3. The amendments made by this Act shall apply to the estates of decedents dying after December 31, 1980. ●

THE PROMOTION OF TRUMAN SPANGRUD TO THE RANK OF MAJOR GENERAL THE U.S. AIR FORCE

● Mr. DECONCINI. Mr. President, as Americans once again realize the importance of a strong military to our Nation's security, so should we recognize and commend those who have done their best to keep America strong during a time when participation in the Armed Forces was not sufficiently appreciated.

Thus, Mr. President, I rise today to give my thanks and my congratulations to a native Arizonan whose promotion to the rank of major general was confirmed by this body on December 4, 1980. Maj. Gen. Truman Spangrud's service to his country spans a period of 15 years, beginning in 1956 with a commission as an Air Force second lieutenant through the Reserve Officer Training Corps. He completed Air Command and Staff Col-

lege as a distinguished graduate while earning a master's degree in business administration from George Washington University at the same time. In 1966, he flew 81 combat missions in Southeast Asia. He completed the National War College as an outstanding graduate. He has held several positions in the office of the Comptroller of the Air Force and is currently vice commander of the Electronic Systems Division of Air Force Systems Command. A command pilot with 3,500 hours of flying time, General Spangrud's decorations include the Legion of Merit, Distinguished Flying Cross, Bronze Star, Meritorious Service Medal, and seven Air Medals.

Let us share with General Spangrud's family their pride in his devotion and service to the United States. Let us encourage young men and women to follow the example that General Spangrud has set, because without Americans like General Spangrud our Nation could not remain free.●

EXPORT TRADING COMPANY LEGISLATION—IV

● Mr. HEINZ. Mr. President, I would like to bring to my colleagues' attention a study prepared for the Department of Commerce by Economic Consulting Services Inc. The study reveals the serious difficulties the U.S. textile and apparel industries have had in developing potential export markets. The study recommends the enactment of legislation such as S. 144, the Export Trading Company Act of 1981, that would establish export trading companies to correct this situation.

Mr. President, this industry is only one of many that will benefit from the enactment of this bill. I ask that "A Study of the Feasibility of Export Trading Companies to Promote Increased Exports by the U.S. Textile and Apparel Industries" by Economic Consulting Services Inc. be printed in the RECORD.

The material follows:

A STUDY OF THE FEASIBILITY OF EXPORT TRADING COMPANIES TO PROMOTE INCREASED EXPORTS BY THE U.S. TEXTILE AND APPAREL INDUSTRIES

EXECUTIVE SUMMARY

I. Introduction

In May 1980, Economic Consulting Services Inc. (ECS) was awarded a contract by the U.S. Department of Commerce for "A Study Of The Feasibility Of Export Trading Companies To Promote Increased Exports By The Textile And Apparel Industries." This Executive Summary presents a brief synopsis of the findings of the study, and ECS's resultant policy recommendations.

II. Purpose and scope of the study

The U.S. textile and apparel industries have had limited, but recently improving, success in developing their potential export materials; in 1979 only 6.5 percent of the dollar value of U.S. textile shipments and 1.6 percent of U.S. apparel shipments were sold for export. One major reason for this poor export performance is that these two industries consist largely of firms which do not have the resources needed to explore foreign markets fully and effectively. An export trading company (ETC) might make it possible for these small firms to develop their export markets more fully than they have to date.

The study was carried out in four phases. The objectives of these phases were, respectively: (1) to examine the feasibility of export trading companies which specialize in textiles and apparel, and to identify their probable functions and organizational needs; (2) to construct a preliminary model of an ETC for each of these industries; (3) to develop and conduct two surveys, one to assess the interest of U.S. manufacturers in selling through an ETC and the second to assess the willingness of foreign importers to buy U.S. textiles and/or apparel through an ETC; and (4) to develop "final" organizational models for ETCs specializing in textiles and apparel, along with appropriate policy recommendations.

III. Definition of an export trading company

An export trading company (ETC) is defined in this study as an independent firm (or association of firms) which has the capability to provide a comprehensive range of export services to domestic producers. Such services include: contacting foreign customers; providing markets intelligence and research; arranging for freight forwarding; arranging for price quotes, whether on an f.o.b., c.i.f., or landed, duty-paid basis; making necessary credit and other financial arrangements; providing other necessary transaction mechanics; and, possibly, performing broader functions such as product design. In the performance of these services, an ETC should be capable of taking title to the products that it trades and will normally function in this manner, although it is not precluded from exporting on a commission basis or providing specialized export services for a fee. To be effective, an ETC must maintain some level of "permanent" presence in major foreign markets, through overseas sales representatives, sales offices, showrooms, warehousing facilities, and/or distribution networks. An ETC may also become involved in importing and in international trade among third countries in order to: develop additional sales and revenues, reduce foreign exchange risk, maintain good relations with its customers, consummate barter deals, and use its overseas sales offices/distribution facilities most efficiently.

IV. Potential role for an export trading company in the textile and apparel industries

The growth in U.S. exports of textiles and apparel has been limited by barriers which an ETC should be able to overcome. The small size of many firms in the apparel and textile industries makes it difficult or impossible for them to allocate the financial and managerial resources needed to establish an effective export "arm". Many firms are not aware of their export potential and lack an understanding of even the basic mechanics of exporting.

Moreover, many American textile and apparel manufacturers, long accustomed to intense and increasing competition from foreign suppliers in the domestic market, have shied away from any effort to participate in export markets on a sustained basis. To many manufacturers, it is not logical to consider seriously competing abroad, given that certain foreign manufacturers have been so successful in penetrating the U.S. market. Exporting also involves a different set of problems than does the sale of goods domestically, such as: a different set of customers; longer financing periods; perhaps different styles, different sizes, or other product requirements; additional transportation costs; and additional documentation. Therefore, exporting requires a mix of managerial and financial skills which many domestic producers lack, and which they have had limited incentive to acquire.

An ETC could overcome these barriers to exporting. In most cases, an ETC is likely to take title and perform all subsequent export operations. Such an ETC would be, in essence, another customer for the domestic industry, and would act as a foreign distributor for U.S. textile and/or apparel firms. An ETC could also act as an agent and/or provide certain specialized export services to manufacturers.

Exporting through an ETC also can make it possible for domestic firms to take advantage of various economies of scale that are often possible in exporting. The establishment of overseas offices, transportation and insurance, warehousing, etc., can all be carried out for a much lower per-unit cost when large volumes of products are exported than when only limited quantities are sent abroad. An ETC should be able to pool the exports of several domestic producers, and therefore take advantage of these potential economies. An ETC also might consolidate the shipments of several domestic producers either to fill very large foreign orders or to offer a full range of complementary products.

Finally, an ETC may be able to market U.S. products abroad more effectively than many textile and apparel manufacturing firms. An ETC should be able to offer a wider range of products, a wider range of product services, and in general be better equipped to recognize potential market opportunities in foreign countries than many individual manufacturers. This may allow an ETC to secure more favorable prices and/or develop additional marketing opportunities that most of the individual manufacturers represented by the ETC could not develop on their own. An ETC may also be in a stronger position to bargain for lower freight, insurance, and storage rates than could be obtained by individual small- or medium-sized producers.

V. Interest in export trading companies

Two different surveys of individual firms were conducted as part of the study. In the first, questionnaires were mailed to 117 U.S. textile and 235 U.S. apparel firms to assess their attitudes toward exporting through an ETC, and usable responses were received from 57 textile firms and 70 apparel firms. In the second survey, personal interviews were conducted abroad with importers of textile and apparel products in six foreign countries to determine whether they would consider buying U.S. textile and apparel products from an export trading company, and if so what benefits they would hope to derive from purchasing through an ETC.

A. Conclusions: Domestic textile and apparel industry surveys:

Over 70 percent of all of the firms responding to the domestic industry survey in both the textile and apparel industries indicated that they would consider selling through an ETC. A high percentage of positive responses was obtained from firms of all sizes, and from both exporters and nonexporters, although smaller firms and firms with no export experience evidenced the highest level of interest in selling through an ETC. The greatest interest in the ETC concept was shown by textile firms with less than 500 employees, and by apparel firms without regard to the number of employees which either export less than 5 percent of their gross sales or which do not export. Those firms not interested in selling through an ETC either were already successful exporters which were not willing to share control over their export operations, or were firms which appear to have no interest in exporting.

The responses of textile and apparel firms were, with some exceptions, very similar. A substantial majority of both textile and apparel firms, regardless of their size and regardless of whether or not they are exporters, wanted the ETC to take title and assume all subsequent export responsibilities. Therefore, most U.S. textile and apparel firms which would consider selling through an ETC would prefer an ETC that acts as a "one-stop" exporter.

Finally, although most respondents indi-

cated that they were either unwilling to invest in an ETC, or were uncertain as to their willingness to do so, several firms indicated that they would be willing to invest substantial amounts, ranging from $50,000 to $500,000, and in two cases over $500,000. Therefore, some textile and apparel firms appear to be potential sources of investment capital for an ETC in each industry.

B. Conclusions: Foreign importer survey:

A number of buyers in each of the countries visited indicated that they would be willing to purchase U.S. textile and/or apparel products from an ETC, although their enthusiasm for the ETC concept, and the range of services that they would expect, varied considerably from country to country. Buyers in the Far East generally expressed a much greater level of interest in buying through an ETC than buyers in Europe.

Importers in all of the countries visited stressed the potential role of an ETC in locating U.S. suppliers and effectively marketing U.S. products in their country. Almost all of the importers contacted stated that the enormous size of the U.S. textile and apparel industries makes it very difficult for foreign importers to locate U.S. firms which (1) are producing the types of products that they want to buy and (2) are willing to export. In addition, many U.S. textile and apparel firms are not effective in identifying which of their products can be marketed in specific foreign markets, and then promoting these products. If an ETC can help overcome these problems, it will perform a valuable marketing service and should be able to increase U.S. exports of textile and apparel products.

VI. Final models

An export trading company that trades in textiles will be very similar to one that trades in apparel.[1] In both cases, the ETC will "domesticate" the foreign sales of U.S. manufacturers by making the terms and conditions of foreign sales as similar as possible to those of domestic sales. To do this effectively, an export trading company exporting the products of U.S. firms in either industry will have the following features:

The ETC should be organized as an independent, privately-owned, profit-motivated corporation.

Product expertise is essential for the ETC's success. Therefore, the most likely source of entrepreneurs for a textile/apparel ETC lies with firms/individuals with experience in the textile and/or apparel industries. Other possible sources of investors are other trading organizations, such as export management companies, and banks (if legislation is enacted to allow investments by financial institutions).

The ETC should be capable of taking title to the products that it handles, essentially acting as a "one-stop" exporter for U.S. textile/apparel firms. This, however, does not preclude the ETC from selling products on a commission basis or from performing more specialized export services.

To market U.S. products effectively overseas, an ETC must meet the specific needs of foreign buyers, and therefore must be willing, at a minimum: to supply products to foreign buyer specifications; to extend credit in a form acceptable to foreign buyers; to clear shipments through customs; to pay duties and freight; to quote landed, duty-paid prices. At the same time, a number of foreign buyers may not wish to use this entire range of services. Therefore, the ETC must be flexible in this regard.

There is no optimal size for an ETC. However, an ETC should have the resources to hire its own sales representatives and/or establish its own overseas offices in major foreign markets which require such an office. Moreover, the range of export-related services for which the ETC would be responsible implies a substantial commitment of human and financial resources.

An ETC must have a large volume of sales in relation to capital in order to earn an adequate return on equity. The expected ratio of capital to sales for an ETC should be within the range of 1:10 and 1:20.

To obtain the sales volume required for long-term viability and to avoid over-reliance on a single product, an ETC should represent as diverse a range of textile/apparel products as possible. The same ETC may export both textile and apparel products.

Although an ETC may become involved in two- and three-way trade as well as exporting, few foreign buyers showed any interest in having the ETC act in this role, and a number of U.S. textile and apparel firms indicated that they would be reluctant to export through an ETC that imports competitive products. Therefore, it is anticipated that an ETC will engage in two- and three-way trade primarily as an ancillary operation, and that there will be little or no conflict between the profit-maximizing objectives of the ETC and the policy objectives of improving the U.S. trade balance.

VII. Policy implications

The policy implications of this study may be summarized briefly as follows:

Export trading companies represent a promising vehicle for expanding exports of U.S. textiles and apparel.

An export trading company should be organized as a private, profit-motivated corporation which is capable of taking title to the merchandise that it handles and acting as a "one-stop" exporter for domestic textile and apparel firms.

There are no institutional or legal barriers which preclude the establishment of export trading companies in the textile and apparel industries. However, some forms of government encouragement and some legislative changes may provide a valuable impetus for the formation of ETCs.

Administrative and legislative initiatives which should be taken to encourage the formation of export trading companies in the textile and apparel area include: (1) conducting seminars to publicize the export trading company concept; (2) targeting existing government support for exporters and/or new businesses to encourage the formation of export trading companies; (3) having a single office in the Department of Commerce responsible for coordinating programs applicable to export trading companies; (4) allowing bank investment in export trading companies; and (5) clarifying, and perhaps strengthening, the anti-trust protection provided under the Webb-Pomerene Act. These initiatives can be taken using existing resources, and require no new appropriation of funds.●

[1] There are some differences between textile and apparel ETCs which have the same sales volume and which offer the same range of services with respect to their organizational structure and financial requirements. These differences are illustrated in two financial models, one each for textiles and apparel, which ECS developed for this purpose and which are presented in the Final (Phase IV) Report.

THE REYE'S SYNDROME CONSENSUS DEVELOPMENT CONFERENCE

● Mr. MELCHER. Mr. President, from March 2 to March 4 a Consensus Development Conference was held on Reye's syndrome at the National Institutes of Health. Reye's is a life-threatening affliction of children that can strike with terrific speed following a bout with a viral illness. Symptoms include persistent vomiting, lethargy, and irritability. Coma can follow due to lack of brain oxygen and death can follow within a few days. Some surviving victims have suffered brain damage.

I was privileged to address the Reye's Conference and it was a milestone in the fight against Reye's. It was not, however, the culminating event. It was, instead, a threshold gathering, marking the launching of what must be a truly national focus on this potential killer of our children.

In a conversation with Dr. Charles U. Lowe of the Office of Medical Applications of Research, he told me—

> Reye's syndrome is one of those rare examples where a marked reduction in mortality rates seems to have followed from a public awareness campaign rather than from some medical breakthrough.

The figures tend to support Dr. Lowe's observation. Reye's mortality which, in 1977, was reported at 42 percent came down to 18 percent by 1979.

Certainly that is an improvement. But it still means that 18 percent of the victims did not survive. If those figures are to be reduced—hopefully eliminated—the research and the public awareness campaign must continue with our full support. Consistent with the aim of the Consensus Development Conference, I want to bring to the attention of the Senate three conference documents in order to further spread the word about Reye's.

One of the documents explains the character and purpose of consensus development conferences. The second document described the Reye's situation existing prior to the conference.

The third document deserves special attention. It is the draft statement issued by NIH at the conclusion of the conference. Let me repeat it is a draft, meaning that the recommendations and conclusions will not be altered but that the final, polished document will not be available from the Office of Medical Applications of Research for about 2 more weeks.

Because public and professional awareness is so important in the battle against Reye's, I ask that the previously mentioned documents be printed in the RECORD.

The documents follow:

[Office for Medical Applications of Research]

NIH CONSENSUS DEVELOPMENT

The National Institutes of Health in fall 1977 launched a program designed to improve the lines of communication from the health research community to the practicing physician and the public. The key element in this effort is "consensus development," a process that brings together biomedical research scientists, practicing physicians, consumers, and others in an effort to reach general agreement on whether a given medical technology is safe and effective. That technology may be a device, drug, or medical or surgical procedure.

The consensus development program is aimed at complementing—but not replacing—the usual means of reporting research results through publication in scientific journals and other medical periodicals and through the lay media.

NIH Director Dr. Donald S. Fredrickson initiated the program in recognition of the fact that there was no formal process within the research community to assure that medical research discoveries were identified

and evaluated to determine if they were ready to be used by doctors and other health care workers. Since NIH is the nation's principal health research agency, it was felt that it should assume the responsibility of more fully reporting biomedical research findings to the practicing community and the public.

In recent years, there has been considerable public criticism voiced concerning the use of certain surgical and medical procedures, drugs and devices. Many have claimed that some new technologies have reached the health care delivery system without being tested adequately. On the other hand, there are those who maintain that some well-validated technologies have been too slow in making their way from the research work bench to the hospital bedside.

A main objective of the NIH consensus development program is to provide the physician and the public with current, responsible information on the pros and cons of medical technologies. This information is made public through reports, containing conclusions and recommendations about a given technology, written by expert and lay members of consensus development conference panels.

With the highly complex work associated with biomedical research has come rather technical language which is not always easily understood by all audiences. Consensus development panels have, therefore, worked to produce reports which, although appropriate for the practicing physician, will also be comprehensible to the general public.

The value of these reports is that they may identify safe and useful emerging medical technologies and make a wider audience aware of their availability. At other times, they may point out some potential problems which could result from the use of an existing technology. In some instances, panels may even recommend against using a given medical or surgical procedure, device, or drug, under certain conditions.

One of the prime objectives of consensus development conferences is to provide a public forum to ensure that all points of view are aired. Specific time periods are set aside at every consensus development meeting to enable individuals and groups to raise questions or issue comments, and meeting summary reports are designed to include the different view points voiced at the meeting.

For further information about the NIH consensus development program, contact the Office for Medical Applications of Research, National Institutes of Health, Building 1, Room 216, Bethesda, Maryland 20205.

REYE'S SYNDROME

Reye's syndrome is one of man's modern medical mysteries. It is a life-threatening disease that develops rapidly in some children usually following an acute viral infection. With the highest rate of incidence reported in the United States, Canada, and Thailand, Reye's syndrome has occurred in at least 21 countries and has affected children in rural, suburban, and urban areas.

Although it is not a common illness (in the United States it is estimated that one to two cases occur every year per 100,000 children under the age of 18) scientists are conducting intensive research to discover the cause(s) of this potentially fatal disease and the best methods of diagnosing and treating it.

First described in 1963 by R. D. K. Reye, an Australian pathologist, Reye's syndrome is characterized by acute encephalopathy (swelling of the brain) and fatty degeneration of the liver. The liver in a Reye's syndrome patient generally contains an unusually large amount of fat distributed in small droplets. In addition, the liver's functions become impaired, and there are structural alterations of its mitochondria—the small, spherical components of cells that release stored energy in food needed for the body's activities. These changes in mitochrondria are also found in the muscle and brain tissues. The brain swells, and the excessive build-up of pressure inside the skull results in brain dysfunction, and possibly death.

SYMPTOMS

Researchers have established a clear association between the development of Reye's syndrome and outbreaks of Influenza B, Influenza A, and varicella (chickenpox). In a typical case, a child will have either influenza or chickenpox, most likely during the winter or early spring months when epidemics of these diseases normally occur. The child seems to be recovering from this viral disorder, but then will experience the abrupt onset of persistent and intractable vomiting, usually the first sign of Reye's syndrome. The child may undergo changes in mental state, becoming listless, lethargic, and disoriented, or sometimes becoming hostile or unusually annoyed if spoken to or touched. Other symptoms may include combativeness, inability to recognize family members, incessant moaning or screaming, and twitching and jerking. Within a short period, measured in minutes or hours, the child may become unconscious, and may progress to a deep coma and possibly death. If untreated, the period from the start of vomiting to death is three to five days.

EPIDEMIOLOGY

The fatality rate for Reye's syndrome is not easy to ascertain since the disease is difficult to diagnose and mild cases may not be reported. Furthermore, a standardized definition of mild cases of Reye's syndrome has not yet been developed. Increased awareness of the disease on the part of physicians and hospital staff has led to greater voluntary reporting. Between December 1, 1979 and April 30, 1980, the Centers for Disease Control received 304 reports of Reye's syndrome occurring in 37 states and Washington, D.C. The incidence is probably higher, and estimates of 600-1200 cases per year have been made. Approximately twenty percent of the cases are fatal.

Cases of Reye's syndrome are divided almost equally among boys and girls. A racial breakdown indicates that white children are affected at a higher rate, although Reye's syndrome also occurs in Blacks, Hispanics, Asians, and other ethnic groups. Among babies under the age of one year, Black infants have a higher incidence of Reye's syndrome, yet Black children over the age of one seem less susceptible to developing the disease than white children.

CAUSATIVE FACTORS

The factors which interact with the initial viral infection to trigger Reye's syndrome in some children have not yet been identified. Some reports have suggested an association between Reye's syndrome and insecticides.

Ingestion of aflatoxin, a toxin produced by fungal molds sometimes found in stored agricultural products, has also been suggested as a cause of Reye's syndrome since experimental use of aflatoxin in macaque monkeys produced liver lesions similar to those found in children with Reye's syndrome. However, there is no strong epidemiological basis to implicate either insecticides or aflatoxin.

Current evidence suggests a possible link between the development of Reye's syndrome and the use of salicylates (aspirin) during the preceding viral infection. Recent studies reported by the Centers for Disease Control showed higher use of aspirin among children who were hospitalized for Reye's syndrome than among matched children who had a similar viral illness but did not develop Reye's syndrome. The majority of the children who were given aspirin took no more than is normally recommended. The Centers for Disease Control has urged caution in giving aspirin to control fever in children who develop influenza-like illnesses or chickenpox because their use could be a contributing factor to Reye's syndrome.

DIAGNOSIS

The successful management of Reye's syndrome is facilitated by early diagnosis. If detected and treated in its beginning stages, most Reye's syndrome patients can, and do, recover completely.

Children who develop persistent vomiting following recovery from a viral illness and who develop listlessness, irritability, disorientation, or increasing lethargy, should receive prompt medical attention. A physician will perform laboratory tests and a case history may be taken to consider the possibility of other illnesses whose symptoms mimic those of Reye's syndrome.

A diagnosis of Reye's syndrome is usually made if there is an elevated blood ammonia level, and if acute non-inflammatory encephalopathy is present with either fatty changes in the liver or excessive increases in two enzymes called SGOT and SGPT. SGOT (serum glutamic oxaloacetic transaminase) and SGPT (serum glutamic pyruvic transaminase) are enzymes normally present in the liver, which are released into serum in high concentrations as a result of injury to the liver cells. The tests that are performed on a child also indicate whether an excessive level of ammonia is present in the blood, an indicator of mitochondrial injury within the liver, which is typical of Reye's syndrome patients.

TREATMENT

Although there is no known cure for Reye's syndrome, intensive supportive care in a hospital with intensive care facilities and staff experienced in treating Reye's syndrome can often reverse the course of the disease.

Once a diagnosis of Reye's syndrome has been made, treatment is concentrated on the control of brain swelling and intracranial pressure through the use of drugs and monitoring measures. Even with this aggressive therapy, some children who recover from Reye's syndrome may suffer permanent brain damage. Although treatments may vary, the prognosis for children with Reye's syndrome is improving. This may be attributable in part to the fact that more diagnoses of Reye's syndrome are made before children reach advanced stages of the disease, physicians now have more experience in treating the disease, and treatment is more aggressive.

Research

The National Institutes of Health is sponsoring research efforts to identify the causes of Reye's syndrome, develop methods of treatment and/or prevention, improve methods of diagnosis, and identify which children might be at high risk. Because Reye's syndrome research transcends the areas of epidemiologic, neurologic, and metabolic studies, NIH-supported investigations are multi-institutional to provide the broad coverage needed in the study of this disease. The institutes conducting Reye's syndrome research include the National Institute of Allergy and Infectious Diseases (NIAID), the National Institute of Neurological and Communicative Disorders and Stroke (NINCDS), the National Institute of Environmental Health Sciences (NIEHS), the National Institute of Arthritis, Metabolism, and Digestive Diseases (NIAMDD), the National Institute of Child Health and Human Development (NICHD), and the Division of Research Resources (DRR).

Epidemiologic studies are being conducted to determine if viruses, aflatoxins, insecticides, or pesticides may play a role in the development of Reye's syndrome. Researchers

are also working on improving existing Influenza A and B vaccines, developing new ones, and studying varicella vaccines. If influenza and varicella infections can be controlled and eventually prevented, Reye's syndrome may not occur in the aftermath of these epidemics.

Five general clinical research centers located at universities throughout the country also receive support from NIH to conduct research on Reye's syndrome. Their research focuses on such areas as determining whether any metabolic defects remain in the survivors of Reye's syndrome, finding methods to reduce the high levels of ammonia that occur during Reye's syndrome, and understanding the mechanisms involved in the disease that produce the severe brain swelling. One recently initiated study has been undertaken to evaluate the neurological, psychological, and educational abilities of children who have survived Reye's syndrome.

The development of animal models and the study of biochemical correlates are also topics of interest to scientists. Other grantees are searching for a serum factor that might be responsible for destroying the mitochondria in children with Reye's syndrome. Working with rat liver mitochondria incubated with serum from Reye's syndrome patients, these researchers are trying to ascertain what substance in the serum could be the cause of the structural and functional alterations in the mitochondria.

In addition to national surveillance, the Centers for Disease Control is studying the possible role of specific viruses, aflatoxins, and medications. The Centers for Disease Control also conducts investigations of Reye's syndrome outbreaks when they occur in the United States.

Reye's syndrome is receiving increased national attention. The National Institutes of Health is sponsoring workshops and meetings to bring together investigators from various disciplines. As scientists move closer towards discovering the causes of Reye's syndrome, there is hope that occurrence of this serious and sometimes fatal disease can be prevented.

Several private organizations also are actively concerned with Reye's syndrome. For further information, write to:

National Reye's Syndrome Foundation (Michigan), 8293 Homestead Road, Benzonia, Mich. 49616.

The National Reye's Syndrome Foundation, Inc. (Ohio), P.O. Box 829, Bryan, Ohio 43506.

The Robert Katz Medical Research Foundation, 969 Saxony Drive, Highland Park, Illinois 60035.

American Reye's Syndrome Association, 701 S. Logan Street, Suite 203, Denver, Colo. 80209.

THE DIAGNOSIS AND TREATMENT OF REYE'S SYNDROME

A Consensus Development Conference was held at the National Institutes of Health on March 2, 3, and 4, 1981, to address issues on the diagnostic criteria and treatment of Reye's syndrome.

At NIH, consensus development conferences bring together investigators in the biomedical sciences, practicing physicians, consumers, and advocate groups to provide a scientific assessment of technologies including drugs, devices, and procedures, and to seek agreement on their safety and effectiveness.

On the first two days of the meeting, a consensus development panel and members of the audience reacted to evidence presented on the following questions:

What are the key signs, symptoms, and laboratory findings of Reye's syndrome?

What is the evidence for the effectiveness of the various treatments of Reye's syndrome?

What are the clinical and experimental studies needed to advance our ability to diagnose and treat Reye's syndrome?

The members of the panel represent the disciplines involved with the diagnosis and treatment of those with Reye's syndrome. Panelists were nominated for their role by seven specialty associations: the American Academy of Neurology, the American Academy of Pediatrics, the American Association of Neurological Surgeons, the American Society of Anesthesiology, the American Academy of Family Physicians, the Child Neurology Society, and the American Nurses Association. This summary is the result of the panel's deliberations.

Reye's syndrome is a rare, potentially life-threatening illness that affects children of all ages, with peak incidence between 5 and 15 years; on rare occasions it has been reported in adults. Although Reye's syndrome (encephalopathy with fatty degeneration of viscera) has been extensively investigated since the classic description of the disorder by Reye, Morgan, and Baral, in 1963, the etiology and pathogenesis of this disease process remain obscure. The subcellular insult appears to affect mitochondria in multiple organ systems. Since prompt treatment may provide a better chance for complete recovery, early diagnosis is important.

Dissemination of information including the early symptoms of Reye's syndrome, diagnostic criteria, and essential aspects of therapy is recommended. This information should be distributed to parents, physicians, and nurses to facilitate early recognition, diagnosis, and treatment.

1. WHAT ARE THE KEY SYMPTOMS?

Reye's syndrome should be suspected in a child who, during or while recovering from a viral illness (most commonly chickenpox or influenza), unexpectedly develops repetitive vomiting and altered behavior such as lethargy, confusion, irritability, or aggressiveness. Fever is not usually present at this time. In children under 1 year of age, vomiting, although present, may be overshadowed by respiratory disturbances such as hyperventilation or apneic episodes. In this age group, seizures may occur as well. The consensus panel suggests that all children with the above symptoms receive prompt medical attention.

2. WHAT ARE THE LABORATORY FINDINGS IN REYE'S SYNDROME?

Helpful laboratory tests include determination of serum transaminases, ammonia concentration, and blood prothrombin activity. The serum transaminase levels should be at least three times upper normal limits; prothrombin time is usually prolonged, and blood ammonia levels are usually elevated. Jaundice is conspicuously absent and bilirubin levels are rarely elevated. Blood glucose level is usually normal, especially in children 4 years of age and older. CSF findings include fewer than 30 cells per mm^3 and normal CSF glucose concentration except in association with hypoglycemia. Other recommended laboratory tests include determination of blood glucose, amylase, calcium, phosphorous and salicylate level.

3. WHERE SHOULD A PATIENT BE TREATED?

The major need in a primary care setting is a high index of suspicion for Reye's syndrome and a willingness to perform appropriate laboratory investigations promptly. Children with history and laboratory findings suggestive of Reye's syndrome should be hospitalized for detailed observation, intravenous glucose infusion, and supportive therapy. Management of patients with Stage II* or worse should be carried out in a pediatric intensive care unit with a multidisciplinary team and preconceived protocol approach.

If the diagnosis of Reye's syndrome is made in a primary care setting, the responsible physician should, in consultation with colleagues in a tertiary care center, discuss the timing of transfer. An intravenous infusion containing glucose should be initiated as early as possible, and the transport team should be prepared to provide support for vital functions.

4. WHAT ARE THE CURRENTLY USED RATING OR CLASSIFYING SYSTEMS FOR MEASURING THE SEVERITY OF CLINICAL SYMPTOMS? HOW USEFUL ARE THEY?

A variety of staging systems have been proposed for Reye's syndrome patients, based upon clinical neurological findings. These systems have proven useful in determining the severity of the illness, monitoring therapy and for predicting ultimate outcome. The multiplicity of staging systems has, however, been confusing for clinicians and researchers alike.

5. SHOULD A UNIFORM SYSTEM BE RECOMMENDED FOR GENERAL USE?

The panel reviewed a number of proposed staging systems and recommends the following system for use in management and study of Reye's syndrome:

TABLE 1.—STAGING OF REYE'S SYNDROME

	I	II	III	IV
Level of consciousness	Lethargy follows verbal commands	Combative/stupor, verbalizes inappropriately	Coma	Coma.
Posture	Normal	Normal	Decorticate/decerebrate	Flaccid.
Response to pain	Purposeful	Purposeful/nonpurposeful	Decorticate/decerebrate	None.
Pupillary reaction	Brisk	Sluggish	Sluggish	None.
Doll's eye	Normal	Conjugate deviation	Conjugate deviation/inconsistent or absent	None.

6. WHEN IS A LIVER BIOPSY NEEDED?

The diagnosis of Reye's syndrome can be made in most patients without liver biopsy, a procedure not to be undertaken lightly in an uncooperative, critically ill child with defects in coagulation. The results may confuse rather than inform unless the tissue is processed and interpreted by pathologists with a special interest in the illness.

Nevertheless, a carefully planned biopsy, after correction of the coagulation abnormality, performed by physicians experienced in performing and interpreting the results of such biopsies, can provide important information in certain specific situations. Biopsy should be seriously considered in patients in certain categories: (1) infants, (2) children with recurrent episodes, (3)

*Stages in this paper refer to those described in Table 1.

familial cases, and (4) nonepidemic (sporadic) cases without antecedent infection or vomiting. Another reason for biopsy might be the need for increased certainty of the diagnosis if a new and potentially dangerous therapeutic regimen is planned.

7. WHAT OTHER CONDITIONS MAY BE PRESENT WITH SIMILAR SYMPTOMS?

There is a lengthening list of illnesses that have been temporarily misidentified as Reye's syndrome. Toxins, including aspirin, methyl bromide, hypoglycine (senecio alkaloid), isopropyl alcohol, pyrrolizidine, aflatoxin, lead, and valproic acid may produce disturbances of consciousness and elevation of serum transaminases. We now recognize that transaminase elevations may occur in children with varicella without Reye's syndrome and in shock or hypoxia due to a wide variety of illnesses. Intramuscular injections (especially thorazine) and protracted seizures are additional causes of enzyme elevations in the setting of other central nervous system diseases.

When confronted by familial or recurrent occurrence of Reye-like illness, the physician should consider an in-born error of metabolism, especially systemic carnitine deficiency, B-OH, B-me glutaric acidemia, ornithine transcarbamylase deficiency, or hereditary fructose intolerance.

8. WHAT SPECIAL DIAGNOSTIC TESTS ARE NEEDED?

CT scanning is neither necessary nor indicated for diagnosing Reye's syndrome unless there is clinical suspicion of a disease other than Reye's syndrome, e.g., subdural hematoma, brain abscess, etc. Thus, CT scanning is not an integral part of the diagnostic evaluation of the child with Reye's syndrome. If, however, the test is done early in the course of illness, it will show a normal pattern or evidence of diffuse brain edema, with no displacement of ventricles or localized areas of enhancement.

Other neurological diagnostic tests such as the EEG may be utilized depending on the availability of appropriate equipment and individuals skilled in EEG interpretation but, in general, the EEG has not proven to be helpful in following patients, in determining prognosis, or in altering treatment. It may be used, in the absence of hypothermia or significant levels of barbiturate, as one of the indicators of brain death.

9. WHAT HAVE BEEN THE INDICATIONS FOR INTRACRANIAL PRESSURE MONITORING? WHAT DEVICES ARE AVAILABLE? WHAT ARE THE GOALS IN REDUCING INTRACRANIAL PRESSURE AND WHEN CAN MONITORING BE STOPPED?

Since 1976, several reports have suggested that monitoring of intracranial pressure may be useful in treating cerebral edema in children with Reye's syndrome. Devices used include those monitoring pressure from epidural, subarachnoid, and ventricular spaces.

There are difficulties inherent in the assessment of the usefulness of a procedure that is employed as a diagnostic rather than a therapeutic tool.

Retrospective comparisons of the use of intracranial pressure monitoring devices have produced conflicting opinions. Some physicians believe it improves their ability to manage patients, others do not. Mortality and morbidity directly attributable to monitoring devices are low, but local infection, focal seizures, subdural hemorrhage, cerebral spinal fluid leakage, and occlusion of the pressure sensor may occur. However, the use of these devices has not been shown to have a detrimental effect on outcome in children with Reye's syndrome. Interpretation of the usefulness of intracranial pressure monitoring devices is further complicated by an increase in earlier referral of milder cases, concomitant with improved pediatric intensive care unit facilities and general supportive care. Data are inconclusive regarding criteria for discontinuation of monitoring, but no evidence exists that prolonged use of these devices (>4 days) is of benefit.

10. WHAT ARE APPROPRIATE THERAPIES IN THE NONCOMATOSE PATIENT?

The standard therapy for Stage I patients with Reye's syndrome includes administration of dextrose-containing fluid. While there are no studies documenting that hypertonic glucose administration is clearly preferable over 5 percent dextrose administration, a number of considerations including hypoglycemia in Reye's syndrome have prompted many experienced clinicians to administer 20 percent dextrose solutions to achieve blood-glucose levels of approximately 250 mg percent. The rate of fluid administration may have to be changed in the setting of brain edema although clinical experience indicates that severe fluid restriction often results in hypovolemia and hypotension. This may occur even with relatively normal rates of fluid administration when osmotic diuretics are given concomitantly during Stage II. The most common osmotic agent is mannitol, given every 4–6 hours to raise serum osmolality to levels up to 325–350 mOsm.

It is for this reason that hemodynamic monitoring is extremely important in patients with Reye's syndrome. Arterial catheters not only provide continuous blood pressure measurement but also allow access for frequent arterial blood-gas sampling and other diagnotic tests. Central venous catheters or Swan-Ganz catheters are also useful for monitoring blood volume and cardiac filling pressures. This is particularly important with treatment regimens emphasizing hemoconcentration and high serum osmolalities. While central venous catheters may be entirely adequate in patients with normal cardiopulmonary function, pulmonary artery catheters for thermodilution cardiac output and wedge pressures should be used in patients who exhibit cardiac or pulmonary failure or in patients receiving drugs such as catecholamines.

11. WHAT ARE THE IMPORTANT METABOLIC DERANGEMENTS AND ARE THEY AMENABLE TO TREATMENT?

There are many documented metabolic derangements in Reye's syndrome, including hypoglycemia, hyperlactatemia, hyperammonemia, short chain fatty acidemia, hyperaminocidemia (glutamine, glutamate, proline, phenylalanine, tyrosine, glycine, alanine, lysine, aspartate, and alpha-amino-N-butyrate) as well as a respiratory alkalosis. Despite all these well-documented findings, their relationship to the severity or treatment of the disease remains speculative except for two specific observations.

The maximum peak ammonia level appears to be correlated with the ultimate severity of the disease although treatment of the hyperammonemia has not been shown to alter outcome. Perhaps the only generally recognized metabolic treatment is hypertonic glucose administration, which even in the absence of hypoglycemia, has been observed in many centers to be beneficial.

Elective intubation of patients in Stage II Reye's syndrome has received general acceptance in most centers and appears to be without significant complications. The rationale for this is that control of the airway is essential in patients who require hyperventilation to control cerebral edema and who are at high risk for the development of coma.

Finally, correction of clotting abnormalities by administration of vitamin K is generally accepted therapy. Administration of 10 mg or more vitamin K, particularly intravenously, has been documented as producing hypotension.

12. WHAT ARE THE THERAPIES FOR INCREASED INTRACRANIAL PRESSURE?

While the encephalopathy of Reye's syndrome is not always associated with increased intracranial pressure, elevations of intracranial pressure frequently complicate the care of patients in coma. As a result, efforts have been directed at prevention and control of increased intracranial pressure. Therapies commonly employed include osmolal therapy as well as spontaneous and controlled hyperventilation. Other measures such as high-dose barbiturates, steroids, cerebrospinal fluid withdrawal and decompressive craniotomy remain investigational. Groups employing these measures have failed to demonstrate survival rates better than that seen with intensive supportive care, including temperature control as well as management of circulatory, respiratory, and metabolic disturbances.

Early diagnosis and prompt referral to an institution providing skilled intensive pediatric care by an experienced team are key factors in improving survival of children with Reye's syndrome.

Any use of these newer techniques of monitoring and therapy of cerebral edema should be reserved for centers experienced in the diagnosis and management of children with severe neurological disorders.

13. WHAT THERAPIES ARE DIRECTED AT REMOVAL OF PRESUMED TOXINS?

Exchange transfusion, peritoneal dialysis, total body washout, charcoal hemoperfusion, and plasmapheresis have all been suggested as potentially helpful by removing an unidentified toxic substance from patients with Reye's syndrome. To date, there is no evidence that the use of these techniques for this purpose is associated with an improved survival for patients with Reye's syndrome. Exchange transfusion, which has been extensively employed, may have a role in the correction of clotting abnormalities.

14. WHAT ARE THE RESIDUAL FINDINGS?

Complete recovery may be expected in the majority who survive the acute phase of Reye's syndrome. However, some children who experience Stage III or IV disease may suffer brain damage resulting in developmental delay, motor impairment, or mental retardation.

Normal functioning in school may be delayed. For some weeks, the children may be able to do the prescribed school work, but at a slower rate. Sometimes, distractability, inattention, and memory problems may occur.

Anxiety and apprehension associated with fear of bodily harm and death are frequently encountered in these children while hospitalized and following discharge from the hospital. Such fears can be helped by gentle parental support. However, parental fears of near loss with resultant over-protectiveness of the child can accentuate behavioral or school problems and should be avoided.

Extensive psychological and educational testing appears to be unnecessary except in a study setting. Working with school personnel to assist them in providing learning experiences geared to the individual needs of the recovering child is often required. Family guidance and counseling may be useful and is encouraged.

15. WHAT ARE THE AREAS OF FUTURE RESEARCH?

The areas of potential research with regard to Reye's syndrome can be broadly and arbitrarily grouped as follows: epidemiology, etiology, diagnosis and disease screening, treatment and patient monitoring, and evaluation and followup (long/short). The most important area is elucidation of the etiology of this syndrome.

The proposed research agenda reflects the peculiar nature and current state of clinical knowledge of Reye's syndrome. A central consideration is the relatively low and seasonal incidence of this potentially lethal disease. This fact often results in small numbers of patients seen at any single hospital, and can contribute to the geographic maldistribution of observed cases. However, this

maldistribution may represent an opportunity to study risk factors that may be unique to various sections of the country. In studying treatment efficacy, together with the many possible combinations of disease stages and treatment regimens, this low disease frequency mandates the necessity of multicenter collaborative research efforts.

Epidemiology: The identification of high risk infants and children deserves particular attention. More detailed stratification of the incident cases on age, race, presence/absence of environmental factors, socioeconomic and other characteristics will be helpful to study further the observed difference in disease occurrence among many population subgroups.

Additional efforts should be made to explore the unusual geographic pattern of Reye's syndrome and to perform more intensive data collection programs within each region. To facilitate the collection of multicenter clinical data, Reye's syndrome should have a specific diagnostic code in the ICD-10.

Etiology: The etiology of Reye's syndrome remains unknown. An association with a recent viral infection, especially influenza B, and varicella, is well-established. However, the development of Reye's syndrome following any of these viral infections is uncommon. In addition, three recent population-based case control studies have demonstrated an apparent association between salicylate usage and Reye's syndrome. Since the specific questions posed to the panel and discussed at the consensus conference were limited to diagnosis and treatment, the data on which this observed association is based were not presented, but were discussed by several participants in the conference. Each of the three studies indicated a marked increase in the estimated relative risk of Reye's syndrome, which does not appear to be due to chance. However, other possible explanations of this association include potential biases such as case-control selection (e.g., comparability of antecedent illness), information gathering (e.g., based on recall), and confounding (e.g., indications of salicylate use).

Parents and physicians should be aware that most, if not all, medications have potential deleterious effects; thus, caution in the use of salicylates in children with influenza and those with varicella is prudent. Currently, the risk of these effects is unknown for salicylates or for other antipyretic medications. Since salicylates have been given to children with illnesses predisposing to Reye's syndrome without adverse effect, and cases of Reye's syndrome have occurred in which salicylates had not been administered, salicylates alone cannot be responsible for the development of Reye's syndrome. However, the similarities between salicylism and Reye's syndrome, together with the recent studies reporting association between Reye's syndrome and salicylate ingestion, indicate a need for further carefully designed studies.

Thus, data from these future studies must be available before recommending changes in the current practices of antipyretic therapy of children. Other factors that deserve attention include the role of influenza and other viruses, aflatoxins, and genetic predisposition.

Diagnosis and disease screening: Although guidelines for the recognition of Reye's syndrome are generally accepted, information on the validity of the many proposed screening (clinical and laboratory) tests is incomplete and based on small numbers or nonuniform criteria.

Particular attention should be given to documenting the sensitivity, specificity, and predictive values associated with the various tests.

Treatment and patient monitoring: The proper evaluation of the various treatment regimens of Reye's syndrome can only proceed within the framework of a randomized controlled trial, with unbiased determination of therapeutic outcome (other than survival status). However, the range of treatment regimens should include the major contemporary strategies to facilitate the development of consensus protocols. Such an approach would optimize institutional participation, and result in increased numbers of patients studied.

A need exists for determining the optimal monitoring procedures; namely, applying the most sensitive indicators of patient status while exposing the patient to minimal risks related to many invasive techniques.

In any event, treatment and monitoring evaluations should be based upon strictly defined protocols that specify the appropriate sample sizes needed to detect particular effects, after patient exclusions and "losses" due to other reasons. Also, strict stopping rules should be specified prior to the initiation of any experimental intervention studies. For example, the protocol should contain strict guidelines for ensuring the homogeneity of comparison groups—particularly with respect to "baseline" characteristics.

Evaluation and followup: Both the short- and long-term sequellae related to Reye's syndrome should be evaluated, using strict treatment protocols. Subtle effects on mental and motor capabilities should be evaluated using longitudinal data analysis, to detect points in time if and when abilities return to "normal." When possible, evaluations should be conducted without knowledge of the patient's treatment or monitoring regimens.

The conference was sponsored by the National Institute of Neurological and Communicative Disorders and Stroke; and co-sponsored by the National Institute of Allergy and Infectious Diseases; the National Institute of Arthritis, Metabolism, and Digestive Diseases; the National Institute of Environmental Health Sciences; the National Institute of Child Health and Human Development; and the Division of Research Resources. Collaborating agencies included the Centers for Disease Control and the National Center for Health Statistics. Assistance was provided by the Office for Medical Applications of Research, NIH.●

STATEMENT BY ARTHUR FELLWOCK, COMMANDER IN CHIEF OF VFW BEFORE COMMITTEE ON VETERANS' AFFAIRS

● Mr. DeCONCINI. Mr. President, on March 3, 1981, the commander in chief of the Veterans of Foreign Wars, Mr. Arthur Fellwock, delivered an excellent statement before the Senate Committee on Veterans' Affairs detailing that fine organization's views on the current status of veterans' programs and benefits and its legislative priorities for the 97th Congress. The statement presents a clear and concise picture of both the short- and long-range problems confronting our Nation's veterans, especially in the field of health care, and I felt it should be shared with all the Members of this body. Mr. President, I request that the full text of Commander in Chief Fellwock's statement be printed in the RECORD.

The statement follows:

STATEMENT OF ARTHUR FELLWOCK, COMMANDER IN CHIEF VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. Chairman and Members of the Committee:

Although it is a singular honor for me to appear before this distinguished Committee representing the more than 2.5 million men and women of the Veterans of Foreign Wars of the United States and our Ladies Auxiliary, it is with heavy heart that I do so. This, since I am here today in the place of our beloved T. C. Selman who expired October 21, 1980, two months to the day following his election as Commander-in-Chief of our great organization. T. C. was a Marine Corps veteran of World War II who served in every position of leadership and responsibility in the V.F.W., was a former mayor of Freeport, Texas and a man who gave unstintingly of his time, his effort and his own means to assist our nation's veterans and to assure an America dedicated to the principles established by our founding forefathers. Therefore, my first act in office was to dedicate this administrative year as the "T. C. Selman Memorial Year."

Mr. Chairman, our pamphlet, entitled, "V.F.W. Priority Goals—Legislative and Security for 1981," is appended to my testimony and, without objection, it is requested these priority goals be made a part of the record of this hearing. Although carrying my name, these priority goals reflect the thinking and the programs initiated by the late T. C. Selman.

Mr. Chairman, as a life member of V.F.W. Post 2673 in Cody, Wyoming, it is gratifying to us all that you have been elected Chairman of this Committee by your colleagues. To those of you who have returned to the Committee, please accept my personal thanks for your continued dedication. To those of you who are newly-elected to Congress or recently appointed to this Committee, you have accepted a trust that is very sacred, to provide the Veterans Administration the programs needed ". . . to care for him who shall have borne the battle and for his widow and his orphan."

Mr. Chairman, permit me to commend this Committee for having shepherded through the Second Session of the 96th Congress legislation to enhance benefits for our veterans, their dependents and survivors which became Public Laws 96-330, 96-385 and 96-466. The soundness of your legislative actions was wholeheartedly endorsed when the Senate overrode the President's veto of H.R. 7102, the "Veterans Administration Health-Care Amendments of 1980," which became Public Law without the President's signature. Your sensitivity for those you so ably represent was well demonstrated in the agonizing cost-savings legislation in the amount of $400 million you were mandated to submit by the First Concurrent Budget Resolution for the fiscal year 1981.

It is always a pleasure for me to recognize individuals who have dedicated themselves to the high professionalism required of those whose efforts are on behalf of others rather than themselves. With that in mind, I commend your fine professional staff and, in particular, Kenneth P. Bergquist, Chief Counsel and Staff Director; former Congressman Garner E. Shriver, your General Counsel; John Pressly, Associate General Counsel; Jonathan R. Steinberg, Chief Minority Counsel; Edward P. Scott, Minority General Counsel; and William Brew, your Special Counsel. These men and their capable staffs have worked closely with the Executive Director of our Washington Office, Cooper T. Holt and our National Legislative Director, Donald H. Schwab, and their staffs not only for the benefit of combat veterans but for the entire veteran community.

Accompanying me here today, Mr. Chairman, are those who make up the national leadership of our great organization. Their untiring efforts have resulted in this being our 26th consecutive year of increased membership. Among our numbers we count more than one-half million Vietnam veterans or one-fifth of those who served in Vietnam

or contiguous waters during our involvement in those hostilities.

Mr. Chairman, and regardless of party affiliation, the voting populace of our nation sent a clear and unmistakable message in the election last November. They want double digit inflation, which reached 25.7 percent in the last two years, brought under control so that their earned or retirement income has meaningful purchasing power. They want the prime rate, which reached a record high of 21½ percent last December, greatly reduced so that they can afford the finance charges to purchase a home and other necessities. They have signaled a desperate need for strong leadership. We are, indeed, facing economically troubled times. Financial experts outside the government and the hard money advocates, who believe a return to the gold standard is our only chance of salvation, have been predicting the coming of an economic collapse for more than a year. Whether or not we choose to give credence to their prophecies, we cannot ignore the considered opinion of an expert such as Alan Greenspan, the former Chairman of the Council of Economic Advisers. Mr. Greenspan stated recently that only "bold and creditable action can save the economy." David Stockman, the Director of the Office of Management and Budget believes we face an "economic Dunkirk" and the President, himself, has labeled the federal budget "out of control."

Mr. Chairman, the V.F.W., we who, above all others, are responsible for our nation being free today, applaud the President's goal to reestablish a stable economy. We believe the cure must come and the longer it is deferred, the more painful it will be for us all. However, and let the record reflect, veterans' benefits have already sustained disproportionate cuts the past several years. In 1976, the Veterans Administration budget was 5.02 percent of the federal budget in outlays and for the fiscal year 1981, has fallen to 3.39 percent, a reduction of 1.63 percent. Now, I would not insult your intelligence by intimating that the Veterans Administration requires 1.63 percent more of the budget or $10.8 billion this year, but, by comparison, let us examine the social and welfare programs. In 1976, the budget for the Department of Health, Education and Welfare was 35.14 percent of the federal budget in outlays. For 1981, the combined budgets of the successors to HEW, the Department of Health and Human Services and the new Department of Education total 36.53 percent of the federal budget, up 1.39 percent. That translates into an increase of $113.3 billion in five years and the whole 1981 budget for these programs, $242 billion, is more than one-third of the entire federal budget of $662.7 billion in outlays. If anyone can identify fat, fraud, waste or abuse anywhere within the Veterans Administration or its programs, the V.F.W. stands ready to lend its full support in its eradication, although we do not know where any fat exists.

Under no circumstances, however, can we ever in any way subscribe to emasculating veterans' benefits and services as enunciated in the Heritage Foundation report entitled "Agenda for Progress." Those of you familiar with this document know that it recommended (1) that compensation payments should be limited to veterans and survivors of veterans whose disabilities are traceable either to combat or job-performance as defined under workmen's compensation regulations; (2) Congress should eliminate all pensions for veterans and survivors of veterans which are not compensable as service-connected; and (3) that the present VA health-care system be dismantled. The thrust of this unfeeling document reflecting how ungrateful the protected can be makes the Economy Act of 1933 pale by comparison. We of the V.F.W. would fight implementation of its provisions with every resource at our disposal.

Disturbing to me, Mr. Chairman, is that one of your former colleagues, now the Director of the President's Office of Management and Budget, David Stockman, felt obligated to take a gratuitous and onerous slap at our nation's veterans. You no doubt read that he stated many Congressmen "admit to holding noses" while voting benefits for veterans "who do not even have a hangnail" to show for their experience in uniform. This is unfortunate, indeed. What this country does not need, Mr. Chairman, are those who never heard a shot fired in anger, never even donned a uniform and may even have brought comfort to the enemy making disparaging remarks about our veterans whose personal sacrifices have kept our nation free.

On the other side of the coin, when President Reagan was campaigning for the Presidency and addressed our 81st National Convention last August, his profound and sincere statements with respect to veterans and veterans' benefits caused him to be interrupted numerous times by resounding applause and standing ovations. Permit me to quote excerpts from his stirring address:

"To me," he said, "it is unconscionable that veterans in need are denied hospital and medical care because of inadequate funding which has closed hospital beds and cut health-care personnel within the VA.

"To me it is a breach of faith that compensation for those with service-connected disabilities has not kept abreast of inflation and that the administration rammed through Congress a pension program admittedly designed to deny such to World War II veterans and survivors.

"To me," Candidate Reagan continued, "it is the height of hypocrisy for the administration in high sounding words to repeatedly tell us how much we owe our Vietnam veterans and then, only in this election year recommend a stingy 10 percent increase in the GI Bill when these veterans have not had an increase since 1977 and the *Congressional Budget Office* has stated they now need a 30 percent increase to catch-up.

"To me the cruelest betrayal of all was the administration's proposed national health plan which, if passed, would have made the VA hospital and medical care system the nucleus of national health insurance. This, following repeated statements by the President that he supported the continued presence of an independent, progressive system of VA hospitals.

"To me," Mr. Reagan, who is now our President, concluded with "it is regrettable and insensitive of the administration to drag its feet in providing open national cemeteries in which veterans can be interred near their survivors. And finally today let me personally pledge to uphold veterans' preference in federal employment and to see it is strictly enforced in all federally funded programs."

In addition, and most reassuring, is the Republican Party Platform with respect to veterans which fulfills many of our current priority goals and is herein quoted:

"Republicans recognize the very special sacrifice of those who have served in our nation's armed forces. Individual rights and societal values are only as strong as a nation's commitment to defend them. Because of this our country must never forget its appreciation of and obligation to our veterans.

"Today the veterans population numbers 30 million. This is the largest veterans population in our nation's history. We recognize the major sacrifices they have made for their fellow Americans.

"We will maintain the integrity of the Veterans Administration. We will seek to keep it separate and distinct from other federal agencies as the single agency for the administration of all veterans' programs. In particular we feel it is of vital importance to continue and expand the health-programs provided to veterans through the Veterans Administration hospitals. Here we see the need for increased access to care, especially for older veterans.

"We further advocate continued and expanded health-care for our Vietnam veterans and consider it vital for the Veterans Administration to continue its programs for the rehabilitating of the disabled as well as its job training efforts.

"We are committed to providing timely and adequate adjustments in compensation for service-disabled veterans and the survivors of those who died as a result of their service. We are also committed to maintaining the pension program for those who have served during a period of war, for those who were disabled and impoverished, and for their widows and orphans.

"We will support measures to provide for every veteran at death a final resting place for his remains in a national cemetery, and for cost of transportation thereto.

"Veterans preference in federal employment in all departments and agencies will be continued and strictly enforced.

"Retired military benefits deserve more than the cursory attention given them by a Department of Defense otherwise interested in on-going programs. We believe that such benefits should be administered by the Veterans Administration."

We will, if necessary, remind the Administration time and time and time again of these commitments. The Democratic Party Platform contains some similar points.

The compensation and Dependency and Indemnity Compensation programs are the keystones of all veterans' benefits. Compensation remunerates in part some 2.2 million veterans, including more than half a million Vietnam veterans, whose earning capacity has been reduced by their service-connected disabilities. The more than 350,000 survivors of those killed on active duty or who were permanently and totally disabled at the time of death due to their service-connected disabilities including unemployability, receive Dependency and Indemnity Compensation. Congress, through this Committee, has made changes in these programs as dictated by the test of time and our primary concern is that these benefits are never permitted to be eroded by inflation.

The pension program for those disabled by non-service-connected disabilities and their survivors has come under particularly harsh criticism recently. Not only by the Heritage Foundation, but a publication of the National Tax Limitation Committee which in an advance proof dated February 15, 1981 entitled "Meeting America's Economic Crisis: A Roadmap to an Emergency in Federal Spending Reductions" opined that "the necessity of this program (pension) is questionable, particularly in light of other income security plans such as social security, Medicaid, Medicare and AFDC (Aide to Families with Dependent Children)." You know, as we know, that the pension program established by Public Law 95–588 is intended to keep nearly all veterans of World War II and subsequent conflicts and their dependents off the pension rolls. As of today, a veteran alone under current pension law is assured an income of $4,460 counting 100 percent of all other income from all other sources, including social security benefits. Thus, the dignity afforded our wartime veterans in need is $69 a year above the Orshansky update of the poverty line as reported in the November 1980 Interim Report of the President's Commission on Pension Policies. We believed at the time this legislation was passed, as we do now, that the assured income levels are too stringent. The key word is dignity and we do not believe that any veteran who served this nation in uniform during periods of hostility should ever, under any circumstances,

and for whatever reason, be reduced to the status of a welfare recipient.

Mr. Chairman, the educational benefits authorized by 38 USC are most beneficial for both veterans and the national treasury. Although approximately $52 billion has been paid in behalf of veterans pursuing their education since World War II, increased taxes paid by veterans whose incomes increase because of their education, repays the money invested several times over. Although it is heartening that 65 percent of our younger Vietnam veterans have availed themselves of the GI bill, there are still those who have not for any number of reasons. With this in mind, our last National Convention passed resolutions to extend both the delimiting date and the period of eligibility from 45 to 48 months.

While on the subject of educational benefits, a number of bills have been introduced in both houses of Congress to establish a new far-reaching and costly educational program for active duty personnel in our all volunteer armed forces. Needless to say, we of the V.F.W. fully support anything the Department of Defense believes will enhance the recruitment and retention of the necessary high caliber personnel. However, we object to the basic educational assistance in pending bills being funded by the Veterans Administration. These bills are all costly and would send the VA budget skyrocketing and subject all veterans' programs to renewed attack. Educational programs for active duty personnel should be fully funded by the Department of Defense, administered by the Veterans Administration and the Congress and the people of this nation educated to the fact that this additional money in the DOD budget is necessary to maintain an adequate defense posture to ensure their continued freedom.

Speaking of Vietnam veterans, Mr. Chairman, one of the provisions of Public Law 96-151 which was approved December 20, 1979, mandated the Veterans Administration to design a protocol for and conduct a study of persons, who during service in Vietnam, were exposed to chemicals known as dioxins used in various herbicides, including Agent Orange. To my knowledge, the Agent Orange study has not even commenced and 15 months have elapsed. Notwithstanding, the V.F.W. has been very active in an outreach program to encourage veterans who believe they were exposed to file a claim and be examined at a Veterans Administration facility. It is hopeful that this Committee will take whatever action is necessary to get this study underway which, incidentally, we recommended should be conducted by an agency outside of the Veterans Adminstration such as the National Institutes of Health.

Mr. Chairman, the greatest concern of the V.F.W. and, yes, the entire veteran population is maintaining the integrity of the separate and vast Veterans Administration health-care system which presently consists of 172 medical centers, 92 nursing home care units, 16 domiciliaries and 49 outpatient clinics. It is imperative, Mr. Chairman, that these facilities be properly funded and staffed so that no veteran in need of care be turned away as many are now. In the 1940's the VA hospital had 121,000 beds which have now been cut to 84,000, with additional reductions to 81,000 scheduled and in the interim the veteran population has doubled, standing at 30 million.

Because of inadequate funding and staffing 16,000 or more beds stand empty each month and, yet, it is nearly impossible to gain admittance to a nursing care bed for a veteran in need. As you know, the VA was authorized to maintain 12,000 nursing care beds in 1980 and each year thereafter, but according to the most recent figures available, the VA is operating only some 8,300 nursing care beds. The need for more rapid expansion of long-term care is self-evident when you realize that the average age of World War I veterans is 84.9 years, World War II veterans—60, and Korean veterans—50.7. In addition, and although Vietnam veterans are now only 33.8 years of age, over half a million of them are disabled and in need of varying degrees of continuing care.

Coupled with the foregoing, Mr. Chairman, is the tenuous personnel situation within the Veterans Administration and, in particular, within the Department of Medicine and Surgery. Medical care facilities still suffer from the reduction of some 5,000 personnel in 1978 and 1979 due to the Leach Amendment which cut personnel ceilings to those in effect on September 30, 1977, and former President Carter's hiring freeze wherein only one replacement could be employed for each two losses. Although the upcoming budget reflects an additional loss of only 54 personnel, the fact of the matter is that the reduction will amount to 1,344 employees due to the drain on existing facilities to staff new activations. In addition, we now have President Reagan's hiring freeze which will further complicate matters and must result in the reduction of health-care. As of this writing, informal information indicates that the personnel within the Department of Medicine and Surgery will be exempt in whole or in part. Furthermore, the General Counsel of the Veterans Administration has rendered an opinion that this latest hiring freeze is illegal and in violation of the law predicated upon the provisions of Title III, Public Law 96-151 which requires the Office of Management and Budget to provide the personnel ceiling for health-care staffing for which appropriations are made.

Mr. Chairman, we have always had a proprietary interest in veterans preference in federal employment which came under heavy attack during the last Administration. We believed this matter had been laid to rest when the 95th Congress retained veterans preference virtually unchanged. However, an attack thereon has appeared in a panel report of the President's Commission for National Agenda for the Eighties alleging that the most outstanding persons, particularly women, are not hired by the Civil Service and the issue of preference for veterans should be reexamined. This allegation has been repeatedly and thoroughly rebutted in testimony and we look for the continued support of this Committee should a serious threat to veterans preference in federal employment again surface.

Although at this point in time we do not know what cuts will be made in the Veterans Administration budget by the new Administration, two prime targets previously have been the construction program and beneficiary travel. We all know that renovation or replacement of antiquated hospital facilities is not a luxury but a necessity, as is the construction of new and expanded long-term care facilities. When I look at the new Senate office building under construction, which is a Taj Mahal of office buildings, I do not see how anyone in good conscience could agree to restricting construction of facilities needed by the veterans of this Nation. I also note that there is a proposed reduction in the upcoming budget of $15 million in beneficiary travel with a view toward further curtailing such for our veterans most in need, those with non-service-connected disabilities who are in real financial need. Informal information available to me also indicates that there is a proposal under consideration to require those with non-service-connected disabilities to pay the first $10 of beneficiary travel each time they require necessary medical care. President Reagan has promised that programs for the truly deserving needy will be untouched. We believe beneficiary travel is, indeed, one of those areas and full funding must be restored. There can be no doubt that restricting beneficiary travel to needy veterans also restricts their access to proper VA medical care.

Mr. Chairman, and members of the Committee, I trust each of you will be with us tonight on the occasion of our annual Congressional Banquet at the Sheraton Washington Hotel. As you know by now, we will be honoring the Honorable Paul Laxalt with our 18th Annual Congressional Award for outstanding service to the Nation. The reception will begin at 6:00 p.m. with dinner promptly at 7:00 p.m., where our Voice of Democracy winners will be honored guests. I want to assure each of you our program will conclude at approximately 9:15 p.m.

In closing, let me say that we look forward to a continuing close relationship with this Committee. We must never forget, nor permit the Nation to forget, that those of us who served during periods of war and hostility have rendered a very special service to our great Nation. We have given years of our lives, we have given years from our families, and we have given years from our personal endeavors, if not also our physical and mental health.

Thank you.●

EXTENSION OF MANDATORY BUILDING TEMPERATURE RESTRICTIONS

● Mr. PELL. Mr. President, the emergency building temperature restriction program authorized under the Energy Policy and Conservation Act expired in January of this year. President Carter had the authority to extend the mandatory restrictions for an additional 9-month period upon a finding that the imminent energy shortage which inspired the program presented a continuing threat. President Carter, I believe, quite correctly chose to extend the program for a 9-month period ending in September 1981.

Last week, however, President Reagan, by Executive order rescinded the decision to extend temperature controls by President Carter. This action, I believe, is most unfortunate and a mistake. Until the decision by President Reagan, the building temperature restrictions along with the 55-mile-per-hour highway speed limitations were the only mandatory conservation measures implemented by the Federal Government. The action to terminate the building temperature restrictions represents a sad commentary on this administration's conservation policy in light of the continuing threat our country faces from Mideast oil interruptions. To abandon this proposal, along with the 55-mile-per-hour highway limitation, as has been suggested, is a wrong signal to send to some of our leading OPEC suppliers who have emphasized to us the importance of our Nation's energy conservation efforts. The decision to end the restrictions is also the wrong signal to send to the American people regarding our energy vulnerability and their obligations to assist in reducing this vulnerability.

Recently, Mr. President, Senator PERCY released a study regarding an evaluation of the emergency building temperature program. This report concluded that it was indeed most effective:

The program requirements were simple to

meet, easy to administer, and used little of the taxpayer's money. Lastly, the program yielded immediate benefits by helping to reduce America's staggering international oil bill.

In this regard, data provided by the Department of Energy suggests that approximately 300,000 barrels of oil a day may have been conserved nationwide as a result of the program with a potential savings of $4.5 billion for our country since the beginning of the program in 1979. The study also reported that some major businesses, including American Telephone and Telegraph and Pan American Airlines, realized significant energy savings by complying with the program.

Mr. President, in view of the continuing uncertainty over world oil supplies and particularly the continuing conflict between Iran and Iraq, I regret that President Reagan rescinded the order to extend the building temperature restriction program implemented by President Carter. This program was not causing a hardship on individuals or businesses, nor creating an unnecessary regulatory burden for those affected by the restrictions. In my view, the temperature restrictions serve as a constant reminder of the continuing importance of conserving energy for us as a nation. I hope President Reagan will reconsider his decision on this important program.●

THE BONNEVILLE TRANSMISSION LINE AND STATE-FEDERAL RELATIONS

● Mr. BAUCUS. Mr. President, this is an exciting time for those of us who have been concerned about relations between Federal and State governments. In the Pacific Northwest, and in Montana in particular, one of the Federal agencies of major significance is the Bonneville Power Administration (BPA).

If the key to improved Federal-State relations is improved responsiveness and cooperation between Federal agencies and State and local governments as well as the people they represent—and I believe it is—one opportunity for improvement in Montana is with BPA: The Bonneville Power Administration needs to become more responsive to people in Montana.

There are provisions in the recently enacted Northwest Power bill that establish a planning council for BPA comprised of members appointed by State governments. This is a definite step in the right direction. But other steps can and should be taken immediately.

BPA TRANSMISSION LINE—THE LITMUS TEST OF BPA-LOCAL RELATIONS

Perhaps the paramount, immediate challenge facing BPA in my State is that of making itself genuinely responsive to Montanans with regard to the construction of twin 500 kV powerlines that BPA intends to build across western Montana. These lines would join with private lines being constructed across central Montana. They are intended to bring eastern Montana coal-generated electricity to BPA consumers.

Many Montanans along the route of the proposed lines, local governments, the Montana State government, and members of the Montana congressional delegation, have been confronted with a long series of problems in dealing with BPA on these lines.

CONTROVERSIAL QUESTIONS REMAINING

Indeed, there are still many controversial questions that, to date, have not been finally decided: Will Montana's siting act govern BPA's siting? How much impact aid will be available to impacted counties? There are many particular routing problems and questions about when the lines should be buried. These problems have become so complex that without BPA's so far having submitted to State siting authority, members of the Montana congressional delegation have, in effect, become to some extent de facto siting commissioners. We have, unfortunately, become the landowners' and local governments last hope.

IS BPA JUST GOING THROUGH MOTIONS?

All of these questions revolve around the more central fear that many of us from Montana have that BPA has been less than genuine in its response to our concerns. This concern was recently highlighted for me when I read papers filed in a lawsuit stemming from construction of a similar powerline by BPA in another State. (Columbia Basin Land Protection Association and Franklin County and State of Washington against James Schlesinger, et. al. is currently pending before the Ninth Circuit Court of Appeals.)

It appears that affected farmers had proposed an alternative route to the route proposed by BPA and submitted their alternative to BPA for review. But, the BPA official in charge of siting apparently, "* * * told his people not to spend any appreciable time in analyzing the alternative route suggested by the landowners."

FEBRUARY 27 MEETING WITH BPA'S ACTING ADMINISTRATOR

Last week, Mr. Earl Gjelde, acting administrator of BPA, came to my office at my request to discuss these problems. I reviewed a long series of particular problems that I and other Montanans have had with BPA, and I solicited his help in having both the particular problems remedied and the general situation improved. Much of what I had to say to him came down to getting BPA to do on its own what, to date has taken considerable and repeated prodding by me and others in the Montana congressional delegation to get BPA to do.

I must say, I was impressed by Mr. Gjelde. He has only held the reins of BPA as acting administrator for a few short weeks; yet his clear intent to quickly respond to the problems I pointed out was evident. At the same time, I am reminded of a caution given the world by George Santayana:

> Skepticism, like chastity, should not be relinquished too quickly.

I know that Mr. Gjelde would agree that the best intentions of agency administrators are frequently lost in the jungles of bureaucratic indifference.

I look forward to meeting with Mr. Gjelde again in the near future to follow through further on the months of meetings and staff work that culminated in our meeting last week. I know that people all across western Montana are anxious to work with BPA. At the same time, landowners in the Flint Creek Valley and other areas near Drummond, Mont.; in the Clark Fork Basin, the Touchette Hills, the Nine Mile, the Houle Creek, and other areas near Missoula, Mont.; county governments and the State government may soon be suing BPA because of the problems we discussed.

In short, the best way BPA has to expedite work on these power lines is to meet the legitimate needs of the people and governments that will be impacted by the power lines. The best way Congress has for improving Federal-State relationships is to insure that agencies such as BPA are truly and genuinely responsive to the people they are to serve.

Directly following my meeting with Mr. Gjelde, I wrote to him to detail the progress I believe we made. I think it would be useful for everyone working on these problems to have this letter available, and I ask to have the letter printed in the RECORD.

U.S. SENATE,
Washington, D.C., March 2, 1981.

Mr. EARL GJELDE,
Acting Administrator, Bonneville Power Administration, Portland, Oreg.

DEAR MR. GJELDE: I appreciate your stopping by my office Friday and look forward to seeing you in the "follow-up" meeting we discussed in a few weeks. As I promised, here are more of the details concerning several of the points we discussed.

To repeat my general concern: BPA must do better in making its Montana line siting process genuinely responsive to the needs of Montanans along the proposed routes, to the landowners groups, the local governments, to the State Government, and to the Congressional delegation. From our discussion, I am confident that you are working to make these improvements. As part of this process, here is a listing of my understandings concerning our discussion Friday:

1. In the Drummond area, I understand you will see whether BPA can promise not to go thorough the Flint Creek Valley. This assurance would obviate the need to immediately pin down the Substation 3 site. Without this assurance, I am concerned that a south-of-highway substation site will prejudice BPA's decision on line siting west of the substation.

2. Also in the Drummond area, I would appreciate you making certain that periodic mailings and meetings with the Landowners Association occur without further prompting from my office. I would like to be provided with copies of BPA's group correspondence with Drummond area citizens and to be notified of meetings BPA is holding.

3. Concerning the Missoula area, I understand you will make certain that BPA immediately responds to several pending information and meeting requests as we discussed Friday. Pending requests of which I am aware are as follows:

(a) A December, 1980, letter request from Margery Harper, President, Clark Fork Basin Protective Association, for information and meeting; I would like a meeting between BPA and this group scheduled for some time during March;

(b) A January, 1981, letter request for information from the Missoula County Commission;

(c) A February 2, 1981 verbal request made by Richard L. Carter, President, Touchette

Hills Homeowners Association, of Gordon Brandenberger in Kalispell; I understand both Mr. Brandenberger and Mr. Carter have written notes of the specific request.

4. Also concerning the Missoula area, I am asking the Clark Fork Basin Protective Association, the Touchette Hills Homeowners Association, the Valley Preservation Council and Houle Creek Homeowners Association to send me their lists of members who wish to be kept informed of BPA's plans and progress. I will provide you with these listings as they arrive, as I have provided BPA with the listing of Drummond area citizens who attended my December 27 meeting. I understand that you will make sure that BPA communicates with these people as quickly as possible, and periodically as necessary to inform them of BPA plans, timetables and progress.

5. Finally, I have several substantive questions about Missoula area siting, as follows:

(a) Can you assure me that no special weight will be given the existing power line route in the Missoula area—that it will be considered only as an option with equal weight being given to alternative routes? As I mentioned Friday, BPA has given me this assurance with regard to the existing power lines site through the Flint Creek Valley near Drummond.

(b) What is the specific criteria BPA will use in determining areas through which the power lines must be buried?

(c) Once a route is determined, to what extent will people off of the route itself, but nevertheless impacted by the lines, be compensated for the impact? For example, will BPA pay for fixing television reception problems that result from the line's construction even if the people with these problems do not live directly on the route? Also, is any provision being made for scenic impacts on homeowners not living directly on the route?

6. Concerning BPA and the Montana State Government, it is my understanding that BPA is seeking formal memoranda of understandings with Montana that will involve the State in (a) initial decisions on whether BPA will build future power lines and other major facilities; and (b) the development of rules and regulations for implementing the Northwest Power Act—specifically including regulations determining the formula for providing impact aid awards.

As I noted in our meeting, it is my position that the Montana Major Facilities Siting Act should govern construction of major facilities within the State—regardless of whether the construction is federal or private. While this issue has not been finally resolved, still the decisionmaking on whether and who will build facilities needs to involve State Government at the earliest possible moment.

7. It is my understanding that BPA will thoroughly explore the basis of its determination of need for the proposed Libby Integration Project with appropriate Montana State Government siting officials and provide them with whatever specific information they require on a timely basis. The purpose of this is to allow the State and me sufficient information on which to base a recommendation to you on whether this project should proceed as planned. Accordingly, this needs to be accomplished as quickly as possible and before work has substantially proceeded.

8. Finally, it is my understanding that you will address the need for BPA to have personnel available to Montanans at meetings and otherwise who can address authoritatively Montanans' requests.

Thank you once again for your assistance.

With best personal regards, I am

Sincerely,

MAX BAUCUS.●

ANN'S NEWSSTAND AND THE REMARKABLE ANN COOPER

● Mr. KENNEDY. Mr. President, one of the first pieces of advice President Kennedy gave me when I was elected to the Senate in 1962 was, "Be sure to meet Ann Cooper and be sure to get your newspapers at Ann's Newsstand." I took that advice then, and I have followed it ever since.

Even then, Ann Cooper was already a legend in the Senate. For over three decades, her newsstand has been a fixture of Senate life. Her warm smile and her delightful personality have endeared her to generations of Senators and Senate aides.

Earlier this week, a detailed article in the Washington Post told the remarkable story of Ann Cooper over the years, from the time she first opened her now famous newsstand in 1948 in the old Carroll Arms Hotel. The article is of interest to all of us who know Ann and who value her friendship, and I ask that it may be printed in the RECORD.

The article follows:

[From the Washington Post, Mar. 2, 1981]

CAPITOL HILL'S NEWSSTAND ANNIE: NEWSPAPER STORE FOR THE STARS

(By Thomas Goldwasser)

Nine months before Harry Truman won his unexpected presidential election in 1948, Ann Cooper came to Washington. A few months later, after completing a course on hotel management and running the canteen at Sibley Hospital, the young woman in her 20s from Warren, Ohio, started a newsstand on Capitol Hill. She has been a fixture there ever since.

Today, one block north of the Dirksen Senate Office Building at 301 1st St. NE., in a trailer, is Ann's Newsstand, which Annie (everybody calls her Annie) Cooper has operated since 1965. Before that, beginning in the summer of 1948, she owned and operated her news business downstairs in the Carroll Arms Hotel. "I answered an ad," volunteers the businesswoman. The man who ran the stand had a heart attack, and his son was selling it for $1,000.

So, Cooper began hobnobbing with famous senators and their staffs. And, even though she has come upon some hard times since then, household names still talk and joke with her and, most important, consider her a friend.

"When I was at the Carroll Arms," begins Cooper, "Sen. John F. Kennedy used to eat in the dining room and he'd come down to read the magazines. He never bought them, just looked. He was shabbily dressed and always looked like he needed a haircut. You know, with his hair always hanging along side of his face." Then, Cooper pauses a few seconds and continues: 'He was very nice and friendly. Those were the good old days. People just are not like that now."

In addition to Kennedy, other senators, later to become household words, were newsstand patrons. Lyndon Johnson, Richard Nixon, Hubert Humphrey and Henry Jackson were, at times, regulars. "When Senator Jackson first got elected, he'd come in here every night to pick up his paper. And Senator Humphrey was a friendly soul. Everybody liked him. I have some thank you cards from him which I will always treasure. Not long before he died, I sent a card for his birthday." Today, the senate majority and minority leaders, Howard Baker and Robert Byrd, respectively, order their daily papers from Ann's Newsstand.

Cooper toiled in her Carroll Arms stand until 1965, when the hotel was sold. "When I first moved to the trailer," she explains, "I thought it would be temporary. But I got used to it and didn't want to move back when the hotel reopened." Since reopening the Carroll Arms, where comedian Mark Russell began his career and powerful Hill types made deals around the bar, has come upon hard times. In recent years, the building has been converted into office space for the surfeit of senate staff members.

Cooper, too, has had a string of bad luck the past few years. Over an 18-month period, beginning in November, 1977, she had a pacemaker implanted, was mugged and fell, breaking her hip. However, her shop never closed. Her friends on Capitol Hill came to her rescue. Hill policemen especially were helpful. Many men and women volunteered their lunch hours to take over her duties.

And Donnie Burch, who now serves as a Hill policeman on the House side, used a month's vacation to run the newsstand. According to Terry Flaherty, who heads the Senate parking unit, there really was no alternative. "If Annie had not gotten help from her friends like she did, she probably would have had to close up." Flaherty, who has known her since she arrived on the Hill, and is a close friend, continues: "The stand couldn't afford to take on any full-time help, and even with the way people helped out, Annie did, and still, has a rough time making it. Remember in her business, the profit margin is very small even in the best run stands."

And the consensus is that, Ann's Newsstand has not been masterfully run. "Annie's been too nice for her own good," concludes Allen Neece, Jr., who, until last November, served as legislative counsel to the Senate Small Business Committee. Neece, who now directs his own Washington consulting firm, elaborates: "In the old days, Annie used to be a bank to some of the Hill staffers. If they were strapped, they'd come to her for a loan. Large amounts of money, too, and many times she was never paid back."

Cooper's small-town habit of trusting people, without getting a word on paper, proved nearly fatal to her business. Her debts kept piling up. Finally, early in 1980, with the help of Neece and Janet Downs, staff members of the Senate Small Business Committee, Cooper received a $20,000 Small Business Administration loan under the new mini-businesswomen's direct loan program. However, even with this aid, coupled with advice on sound business management from the SBA's Service Corps of Retired Executives (SCORE), the wolves were still at Annie Cooper's door.

Last March, her largest creditor threatened to cut off deliveries within a week if she did not pay up.

Once again, Cooper's friends showed her how much they cared. With hardly any notice, comedian Mark Russell, Cooper's friend since early Carroll Arms days, Flaherty, and Roll Call editor Sid Yudain organized a fund raiser. And last March, more than 350 Annie Cooper friends, at a minimum of $10 a head, raised $6,500. At the shindig in a Senate committee room, the Capitol Hill pecking order was ignored, as lowly staffers mingled freely with senators.

Today, Annie Cooper remains right where she belongs, a block from the Capitol, running her business. Five days a week, from 5 am until 6 pm, she's there. On Saturdays and Sundays, she knocks off early at 3:30 or 4:00. She closes only on Christmas day. And she has enlisted the support of a bookkeeper who picks up the books one day a week.

She'll probably carry on essentially just the way she always has, running a business where, as Mark Rusell observed, "The six words heard most often in her career have been, 'Can you trust me till payday?'" ●

DEBT COLLECTION ACT OF 1981 CAN HELP REDUCE BUDGET DEFICIT

● Mr. SASSER. Mr. President, on February 26, Senator CHARLES PERCY and I introduced, along with four of our colleagues, the Debt Collection Act of 1981 (S. 591). Senator PERCY is to be commended for his long-standing concerns about this problem. Both he and I have worked long and hard on this subject, and I am hopeful that with strong bipartisan support we can pass S. 591 early in the 97th Congress.

I am equally gratified that President Reagan is prepared to support the lead of Congress in this matter. It is my understanding that the Reagan administration plans to mount a vigorous drive on the debt collection front, building on the recommendations of the debt collection project that President Carter established in August, 1979. I trust that the Reagan administration will lend its support to S. 591 as an appropriate vehicle for improving Federal debt collection efforts.

I have recently written President Reagan and OMB Director, David Stockman, concerning this matter, and I ask to have printed in the RECORD my correspondence on this subject.

The correspondence follows:

U.S. SENATE,
Washington, D.C., February 27, 1981.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: I noted with great approval your statement of February 26 that you would press forward with an aggressive debt collection program in order to recover the more than $25 billion in delinquent debts that are presently owed to the Federal government.

I am heartened by this development. This country cannot afford to maintain the present policy of letting delinquent debts owed the Federal government continue to go uncollected.

The estimates of the fiscal loss to the Federal government from uncollected debts are truly staggering. In 1979 alone, the Federal government wrote off over $1 billion in uncollected debts. And by some estimates the eventual write-off for uncollected debts in FY80 could reach as high as $6.5 billion.

During these times of fiscal austerity when your Administration is making every effort to keep Federal spending below $700 billion for 1982, it is imperative that we put a legislative program in place that will help you achieve your debt collection efforts.

Senator Charles Percy and I along with four other Senators have just yesterday introduced legislation (S. 591) that will permit you to mount a professional and progressive debt collection effort.

Very briefly, this legislation will provide you with the tools you need to improve federal debt collection. It provides that information on bad debtors can be referred to commercial credit bureaus. The legislation amends the Civil Service Code to permit Federal employees to have their salaries offset for unpaid debts that they owe the Government. It permits the IRS, by carefully controlled procedures, to assist other Federal agencies in collecting unpaid debts, and it requires Federal agencies to provide timely and regular reports to the Congress on the extent of their efforts to collect unpaid debts.

Senator Percy and I intend to press the case for this legislation early in this 97th Congress. I am pleased that you share our concern about this grave fiscal problem, and I hope that Senator Percy and I can count on the Office of Management and Budget supporting this legislation.

Best regards.

Sincerely,

JIM SASSER,
U.S. Senator.

UNITED STATES SENATE,
Washington, D.C., February 27, 1981.

Director, Office of Management and Budget
Executive Office Building, Washington, D.C.

DEAR DAVE: I noted with great approval President Reagan's statement of February 26 that he would press forward with an aggressive debt collection program in order to recover the more than $25 billion in delinquent debts that are presently owed to the Federal government.

I am heartened by this development. This country cannot afford to maintain the present policy of letting delinquent debts owed the Federal government continue to go uncollected.

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Senator Percy and I intend to press the case for this legislation early in this 97th Congress. I am pleased that President Reagan shares our concern about this grave fiscal problem, and I hope that Senator Percy and I can count on the Office of Management and Budget supporting this legislation.

Best regards.

Sincerely,

JIM SASSER,
U.S. Senator.●

THE FOUR HORSEMEN SHOW

● Mr. LEVIN. Mr. President, a valuable community service offered to citizens of the Eastern Upper Peninsula of Michigan is being recognized for its achievements on Saturday, March 7, 1981. A small businessman, Ross Roe, of Sault Ste. Marie, has sponsored a show on WSOO radio for a number of years which provides an outlet for community concerns, events, and general discussion of daily living.

The program, known as the Four Horsemen Show, is almost advertisement free. Instead, it features animated discussion with veteran broadcaster Bill Thorne asking every conceivable question of his wide variety of guests.

The Four Horsemen Show, its host Bill Thorne, and its sponsor Ross Roe, are receiving long overdue recognition for this Sault Ste. Marie Institution by the Sugar Island Lions and Sugar Island Senior Citizens Clubs.

I ask that the following editorial from the March 2, 1981, Sault Ste. Marie Evening News be printed in the RECORD.

The editorial follows:

[From the Sault Ste. Marie, Mich., Evening News]

THE FOUR HORSEMEN SHOW

In a week the Sugar Island Lions and the Sugar Island Senior Citizens will be taking a night to honor the Four Horsemen Show. It's an occasion worth noting.

The Four Horsemen Show, in case you've never heard of radio, or if you are so new to town you haven't passed a Saturday morning here, is a radio show broadcast to the area from the showroom of Roe Chevrolet. It's an hour long, and during that hour barely a minute, if that, is spent talking about Roe Chevrolet.

This is the community's hour of radio, and it is given to the community each week by Ross Roe. On it are sometimes lively discussions about what has been happening or not happening here, some advice about upcoming events, the weather in its entirety, and once in a while, some western tunes spun by host Bill Thorne.

The show has been used at one time or another by virtually every group in the eastern U.P. I've even had the pleasure of leaning against a shiny new car awaiting a turn at the mic with Thorne, and while I waited like everyone else on the show, I got a chance to learn about what's coming and why.

That's why the show is being honored, because it's an outlet to the community, for the community, and it works. It's important that every community have a place where some idle conversation, and some timely discussion can touch subjects that need attention. It's a measure of the community.

The popularity of the show speaks well for it, it's where Democrat meets Republican, township official meets city commissioner. Where church news and a feature share the mic with a country ballad.

We're pleased that Ross Roe is being thanked for sponsoring the program, and Bill Thorne, with his silkey style, and omnipresence is being thanked for his work.

The Lions and the senior citizens have made worthy choices and should be congratulated.

PAT EGAN.●

NINE-DIGIT ZIP CODE PLAN

● Mr. BAUCUS. Mr. President, I am pleased to support S. 539, introduced by my distinguished colleague from Minnesota, Mr. DURENBERGER. I am happy to be a cosponsor of this amendment.

The Postal Service has asked Congress for almost $1 billion to implement a nine-digit ZIP code and to purchase optical character readers (OCR's) and bar code readers (BCR's). The new OCR's would read the addresses on most first- and third-class mail and print a bar code on the front of the envelope. When the letter arrives at the local post office, it would go through a BCR that would direct it to the letter carrier.

The Postal Service wants to divide the country into some 20 million ZIP code areas, so mail can be sorted into smaller

units before being given to the letter carrier. The nine-digit code, which would be one's current code plus four new numbers, would correspond to a rural route, a block face, a firm, a building, or a lock section.

If implemented, the Service says it would send post cards to residents telling them what their new ZIP code is. But what if someone wanted to know the ZIP code of a friend in another State? Since it would take a 40,000-page volume to contain the expanded codes, plans are underway for a toll-free telephone number which would have computer operators on hand to provide ZIP code information.

By going automated the Service hopes to save about $600 million per year in labor costs. Machines would come to replace sorting clerks. The Service says no clerks would be fired, but when job vacancies occur they would not be filled.

While I applaud efforts to cut costs for the Postal Service, I cannot agree to increasing costs to the public in the process.

The Service has not provided any figures on what their nine-digit ZIP code plan would cost the private sector. Senator DURENBERGER says studies done by Minnesota companies and government agencies put a near billion dollar price tag on the cost to redo business files to contain the new codes. For businesses in Montana, the new ZIP codes would mean spending weeks and probably months revising their mailing lists—a severe loss of manpower times especially for smaller businesses who keep manual records.

The Postal Service says the automated system would help improve and speed up sorting and mail delivery by increasing the number of postal zones. In Montana, which now has about 400 ZIP codes, more than 80,000 codes would be created.

While this new system may help speed up the work in urban areas, in Montana and other rural areas this expansion would only serve to complicate the system.

I am also concerned that the Postal Service has been unwilling to look at less complicated and cheaper alternatives to its plan.

Rather than a nine-digit number, why not a five-character code, like four numbers and a letter? A Montana computer consultant who has studied the Postal Service plan told me such a system could be implemented with existing equipment and at a much lower cost. This kind of system is now being used in a number of countries throughout the world, including Canada, England, and Germany.

Finally, the Postal Service says its new system would be voluntary, so if a business finds the conversion process too costly or simply too much of a bother, it can still use its five-digit code.

But the Postal Service says the success of its plan depends on the support and patience of the American people. By 1986, Postal officials expect 90 percent of all first-class mail to carry the new code. It seems to me that to ask everyone to learn a nine-digit ZIP code when they already have a social security number, driver's license number, bank account number, ad infinitum, is not making it easy to comply.

And what if the public chooses not to use their new number? Then the millions of dollars of savings the Postal Service is talking about would probably not be realized. The Susan B. Anthony dollar, which potentially could have saved $50 million a year, failed to gain the acceptance of the American people. I only hope, along with my colleague Mr. JEPSEN, that the new ZIP code system, if implemented, does not follow a similar fatal course.

Last session, I voted in favor of an amendment to postpone implementation of this plan so we would have time to examine it more closely. As of now, I find closer scrutiny has not uncovered a great deal of favorable evidence.●

AMBASSADOR WATSON ON U.S. POLICY TOWARD THE SOVIET UNION

● Mr. PELL. Mr. President, last month our departing U.S. Ambassador to Moscow, Thomas J. Watson, appeared on the ABC interview program "Issues and Answers" to discuss his views on U.S. policy toward the Soviet Union. In accepting President Carter's ambassadorial appointment in 1979, Ambassador Watson brought to the diplomatic service the tough, business-like approach that previously had earned him the presidency of IBM, one of our country's most important corporations. Mr. Watson's views therefore today carry the weight of a man of considerable high-level experience, first in the realm of large-scale corporate enterprise and now in the realm of superpower diplomacy.

It is perhaps a measure of that experience that, at a time when American politics has been swept by nostalgia and a passion for oversimplification, Mr. Watson continues to be able to make crucial distinctions in his prescription for a wise U.S. policy. Without question, he favors firmness and strength: Ambassador Watson strongly advocated sanctions against Soviet actions in Afghanistan, and recommends even greater sanctions in the event of Soviet intervention in Poland. But at the same time, he supports the prudent pursuit of American self-interest—through energetic efforts to achieve progress in United States-Soviet negotiations on arms control.

Ambassador Watson disputes the carryover campaign rhetoric which glibly disparages SALT II as containing an alleged "fatal flaw," and believes there should be an immediate resumption of East-West discussions so that the results of 7 years of negotiation by three administrations are not lost to a dangerous future in which the technologically driven weapons race continues unchecked.

Mr. President, I ask that the transcript of Mr. Watson's interview be printed in the RECORD.

The transcript follows:

THOMAS J. WATSON, FORMER U.S. AMBASSADOR TO THE SOVIET UNION

ANNOUNCER. From Washington, ABC News present Issues and Answers. After more than a year of negotiating with the Soviet Union . . . Our American Ambassador to Russia has just returned with his report on the Men in the Kremlin . . . Here, in his first television interview since arriving in the United States from Moscow . . . Outgoing United States Ambassador to the U.S.S.R., Thomas J. Watson. To interview Ambassador Watson . . . ABC News Chief Diplomatic Correspondent Sander Vanocur . . . and Issues and Answers Chief Correspondent Bob Clark. We'll be back in just a moment . . . Issues and Answers is brought to you by CONOCO; where money produce oil, natural gas, coal, uranium and petro-chemicals.

Mr. CLARK. President Reagan has accused Russia's leaders in his first news conference, of reserving the right to commit any crimes, to lie, to cheat—those are his words—in pursuit of their goal of world revolution and world domination. You've just come back from 14 months in Moscow as our ambassador, do you share that judgement?

Ambassador WATSON. I don't share that judgment precisely. I think they go after their goals a good deal differently than we do. I think what they would call morality would be different than our terms of morality, but I think in many areas the Russians' and our interests run parallel and I think it is possible to work with them, very difficult, but quite possible, and so I would not share those views.

Mr. CLARK. Do you think the tough new approach of President Reagan and Secretary of State Haig taken toward the Russians is a wise way for the new administration to start off? Are the Russians likely to be impressed by this sort of talk?

Ambassador WATSON. I'm very impressed by their silent diplomacy. Most of the progress that I made, if any, in the Soviet Union, was done rather silently. I never held any interviews while I was there until just the month that I left. And I think that they are amenable to working things out silently because they have great inferiority complexes and they don't like to be made goats of. So any posturing, in dealing with the Russians, in my opinion, is not useful. I have great confidence in General Haig. I have never met him but I have made two trips to NATO while I was ambassador in the Soviet Union and I know that all of the NATO allies have profound respect for him. He also knows the size of the forces in place on both sides and in my opinion, if we can eliminate the conflict between the White House advisors and General Haig, we'll have smooth sailing or smoother sailing in the Soviet Union.

Mr. VANOCUR. Mr. Ambassador, did you have any conflict between the White House advisor and the Secretary of State during your tenure in Moscow?

Ambassador WATSON. Well, I had the great good fortune of knowing Senator Muskie and Senator Vance (sic) before I came on board and I didn't have conflict but I saw people all around me whose jobs were at risk and whose policies were undermined by this constant conflict that seemed to go on between the two places, and on one occasion I was accused in the press of being a little bit soft in the way I cabled back reports and I wired back and said I am cabling back in the most accurate way that I believe I can characterize the positions I hear from the Soviets and if that is not satisfactory, well, get yourself another boy, and I had the complete backing from the State Department in that position and no further trouble.

Mr. VANOCUR. Are you suggesting that National Security Advisor Zbigniew Brzezinski was leaking this to the press?

Ambassador WATSON. Well, it was attributed to a spokesman in his office and the suggestion was that my cables were varnished, to translate that, softened, in order to accommodate the Russian position.

Mr. VANOCUR. What do the phrases "soft" and "hard" in dealing with the Soviet Union

mean? They complain we are not businesslike in our approach to them, no consistency. Are they accurate in those charges?

Ambassador WATSON. I think that has substance to it, that accusation. They're a group of rather old men. Their average age is 68, as you know. They are quite consistent in their policies. Sometimes they are quite wrong. I think they very much miscalculated what would happen as a result of Afghanistan. But they are very consistent and they find it very hard to accommodate to the policies over the past four years, where the State Department was recommending one course and Dr. Brzezinski was recommending another course, and nobody really was calling the tune in the straight direction that the United States should be going. So they really couldn't follow the ball. And this made them very jittery. They understand the weaponry and understand the destructive power of each side. And they are extremely concerned with their dealing with an erratic kind of force when they look at us.

Mr. CLARK. Do you think, Mr. Ambassador, that we are headed into a dangerous period of confrontation with the Soviet Union, assuming that the tough talk by the Reagan administration is followed up by tougher stances against Soviet aggression anywhere in the world or against Soviet terrorism, support of terrorism?

Ambassador WATSON. Basically, Bob, I think the two systems are on a collision course. I can't tell you at what point they will collide but given no change in direction in the Soviet way of doing things, and no change in direction of our way of doing things, there's bound to be an explosion down the line somewhere, let's say somewhere in the next two to three decades. And so I just believe that we have to both recognize that we have the power to destroy each other and stop threatening or posturing. The last thing in the world that we want to do is to get into a position where we bluff the Russians or try to bluff them and they call our bluff. I think that's absolutely the last thing this administration wants to do or should do.

Mr. VANOCUR. President Brezhnev, of course, is 74 years old, and not in very good health. There is a view that when the last of the old revolutionaries are gone, the younger generation will be easier to deal with, more flexible. I take it you are not very hopeful about that?

Ambassador WATSON. No. I think it is a very steady system. Let's remember that a person doesn't get elected or brought into the Politburo until he is in his fifties. He's normally a candidate member so they can kind of see how he works for a while and then he finally is made a full member or he sometimes is dropped so that it—the tendency to perpetuate itself in its own shadow, and I see no possibility of it changing.

Mr. CLARK. And you warned about the danger of our being on a collision course; what currently, in the world, could bring a collision with the Soviet Union, could it be Poland, or what?

Ambassador WATSON. Well, I don't think Poland would bring a collision and I would be willing to talk about Poland at length. I don't think that would bring a collision because we have more or less accepted their zones of influence. They have tremendous problems in Poland because by going in there they would lose so much prestige in all of the relationships they have in western Europe in addition to any possibility of future friendships and relationships with us, so that they are on the horns of a terribly difficult dilemma.

Mr. VANOCUR. Mr. Ambassador, if you were still the ambassador in Moscow, when and if the Soviets invaded Poland, what would be your recommendation as to our course of conduct?

Ambassador WATSON. I would be for suspending everything that we can suspend that we have left, which isn't very much. And treating them at very much an arm's length situation. But I would not break diplomatic ties with them because I think with these weapons that we both have, that you can never afford to not be talking, and I think in the last year and a half, when I've been familiar with this situation, there's been all too little talk. It's been a tragedy to see this SALT situation deteriorate to the point where the only communication essentially has been a couple of meetings between Mr. Vance and Mr. Muskie and Mr. Gromyko and the rest all through Mr. Dobrynin and I.

Mr. VANOCUR. Let's take up some specifics. What should the Reagan administration do about SALT in its present condition?

Ambassador WATSON. Well, in my opinion, the best thing for the United States and the world would be to get back to the SALT table, feel the Russians out, see what the minimum changes are that the Reagan administration would accept, and then ratify that treaty. And before I finish that, let me say that when I last looked at that treaty, which wasn't very long ago, there was nothing in the treaty that would inhibit any of the plans of Secretary Brown or the head of the Joint Chiefs of Staff, General Jones. So that we were really agreeing to a second step after SALT I, to confirm SALT I, which is now just an ennui and being observed by mutual consent, informal mutual consent, we would be back into a negotiation to contain the weapons. Now, you know the weapons count and you know what they can do. Three of those weapons on New York will destroy 95 percent of the population, so if you want to destroy three hundred cities in the Soviet Union, then you take 900 weapons and there's nothing left of the Soviet Union. And if we were to do the same on the other side or they were to do the same to us, it would end up the same way. So you end up with, you'd use one-tenth of your weaponry and you'd have 90 percent left. What do you do with it?

Mr. CLARK. President Reagan has made it very clear that he wants some major changes in the SALT II before resuming serious negotiations. Do you think the Russians are willing to make any significant concessions that would get SALT II back on track again?

Ambassador WATSON. Well, they've spent seven years negotiating a treaty in good faith and I make no arguments to the Soviets. I'm just now arguing about the SALT II treaty. They believe they negotiated in good faith, both governments signed it, and now we can't get it ratified over here. They would be very reluctant to sit down at a SALT table and make major changes in SALT II.

Mr. CLARK. Failure to begin new SALT negotiations in a reasonable time, could it trigger a new nuclear arms race?

Ambassador WATSON. Well, I'm sure it would because the very minute we even suspect that they have broken out of the provisions of SALT I and II, then we would break out, and I think it is very easy that we would both begin to escalate. That's why I think the situation is so desperately dangerous at the moment.

Mr. VANOCUR. Mr. Ambassador, suppose we do challenge them to a new arms race, what will be their response?

Ambassador WATSON. Oh, they would build weapon for weapon with us. There is no possibility of getting them to collapse economically or give up because of our industrial potential or anything of that sort. The only way we can show the Soviet Union we mean business is by being realistic in the way we manage our own country, by balancing our budget, by raising taxes instead of lowering taxes, by going to universal military service, by having a civilian army that's not paid competitively with the civilian jobs outside. I'd have a hard professional corps that was well paid and then I'd have universal military service. That impress the Russians tremendously.

Mr. VANOCUR. What would you do about the grain embargo?

Ambassador WATSON. The grain embargo also impressed the Russians. I am concerned about the effect of the grain embargo on the farmers and I don't like partial sanctions that affect just one segment of the society. But in the grain embargo area, the Russians never thought that we would hurt ourselves in order to show dedication in our relationship with them. So I would hold that grain embargo right on there and try to figure out some way of compensating the farmers who are hurting.

Mr. CLARK. If the grain embargo is retained, would you extend it, perhaps, certainly if there is any new Russian aggression anywhere that would warrant extending the grain embargo, to other areas of trade, and this is reportedly one thing President Reagan is considering, so you don't just single out the farmers as the ones that bear the full burden?

Ambassador WATSON. Yes. I'm for overall sanctions if the Russians continue to operate in a fashion that we don't like or we think is dangerous. But you have to consider the Europeans walk around some of our provisions and I think it would be appropriate for General Haig to line up the Europeans quietly so that we can present a united front and we aren't sanctioning certain types of equipment and having them able to get that equipment from Western Europe somewhere or through Third World nations.

Mr. CLARK. We're going to take a short break here. We'll be back in just a moment with more Issues and Answers.

ANNOUNCEMENTS

Mr. CLARK. Our guest is Thomas Watson, who has just returned as the American Ambassador to the Soviet Union. And Chief Diplomatic Correspondent, ABC's Sandor Vanocur.

Mr. VANOCUR. Mr. Ambassador, we were talking about trade a moment ago. The Carter administration granted export licenses to Caterpillar Tractor and International Harvester so they could help build that pipeline that the West Germans are contracting with the Soviets to put natural gas in Siberia and Western Europe. Would you cancel those export licenses?

Ambassador WATSON. I would not. I would not because I think when you cancel export licenses, you are almost at the point of war. I would be very careful in what I committed to go over there and if I was giving them something that could help them technologically, I would do it, and I wouldn't object to a complete ban on all trade with the Soviet Union, as I said a few minutes ago. But to selectively sanction, I think is wrong. On the other hand, existing contracts which have been partially paid for, I think should be fulfilled.

Mr. VANOCUR. This is going to be a centerpiece of our foreign policy with the Soviet Union, trade, because the Western Europeans have one view of it, we may have another. Do we hurt ourselves by not trading with the Soviet Union or do we hurt them?

Ambassador WATSON. Well, I think that all of those sanctions, actions taken after Afghanistan, most of which were cooked up in Moscow by my group, although they may well have been cooked up in the State Department here simultaneously, were not things done to hurt the Soviet Union as much as to get their attention. And we really got their attention. This was the first time, you remember, in Afghanistan, that they'd ever moved outside of the traditional postwar boundaries. And they had no idea that we'd react the way we have, and we may well have made the world a little safer for a temporary period by letting them know that there were certain things that the Western World would not stand for.

Mr. CLARK. Defense Secretary Weinberger said this week that the Reagan Administration would very probably want to deploy the neutron bomb. There were some questions as to whether countries such as West Germany would let it, let us deploy it on their soil. The Russians have already warned that use, deployment of the neutron bomb would trigger a new nuclear arms race in Europe. Would you still go ahead and deploy the bomb?

Ambassador WATSON. No, I wouldn't. I would try to get a nuclear weapons treaty and if I couldn't I would build right with the Soviets. If they don't want a treaty with them, I would build bomb for bomb with them. But we've led this nuclear parade now for 40 years and it hasn't gotten us very far and we have essentially a large group of weapons that are meaningless. If one side used one of those weapons, even if it is a tactical weapon on the battlefield, it will quickly escalate to strategic weapons, and when it escalates to strategic weapons, 90 percent of each nation is going to be killed or maimed. And that's essentially national suicide. And neither one of our sides should be in a position of betting our nation on those kinds of odds. I think the quicker you get those weapons treatied, the better. Now, on conventional weapons, I would decide where and how I wanted to project my power and my national resolve, and I would build sufficient conventional weapons to do that whenever and wherever I saw fit.

Mr. CLARK. And you expressed a very strong concern earlier about a possible collision between the United States and the Soviet Union somewhere down the years; whether it be a decade or not, what would trigger such a collision?

Ambassador WATSON. Well, you mentioned the Middle East. Let me just take any of the nations down there. Iran, for instance. We could have a confrontation over Iran. It's all perfectly safe as long as we're confronting Iran from the south and the Soviets are confronting it from the north. But if Iran suddenly becomes a nonentity and the government collapses, then the Soviet and American forces are facing each other in a confrontation, and I've had nightmares about what you do in a situation like this. I hope you would get the U.N. into it and I hope you would try to back it down. But the thing that concerns me is that we can stumble into confrontation very easily in the dangerous world in which we live. And if we try to use the bluff and the threat of a thermonucelar weapon, that is an absolutely nonproductive course, in my opinion, because they are absolutely equal with us.

Mr. CLARK. Do you think there is a serious threat that the Soviet Union might invade Iran if the government there just collapsed?

Ambassador WATSON. I think it is a possibility, Bob, I really do. I'm sure that we are thinking about that as a contingency and I say this not knowing.

Mr. VANOCUR. Well, Mr. Ambassador, this goes back to the trade question. The Soviet Union has enormous quantities of untapped oil, natural gas. If they are not permitted to build that pipeline, transfer their gas to Western Europe, or if they have deficiencies in their own production for their own domestic consumption, doesn't that turn their attention more than it is already to the Persian Gulf?

Ambassador WATSON. There are a lot of people who say that. My own feeling is that the Russians are very realistic about the Persian Gulf and that we don't need to make any noise or lay down any ultimatums at all. They understand that that is a national and vital interest of the United States of America and I believe they will be very cautious there. What I really am concerned about is what happens if Iran goes into a revolution and really collapses as a viable government. Then I think that we both have got to go very, very cautiously to avoid serious consequences.

Mr. VANOCUR. Is there the instrumentality of communication now?

Ambassador WATSON. There is not and that's why I think we should be back at the tables, even if we are just sitting and discussing potential crises.

Mr. VANOCUR. Well, Mr. Ambassador, this is a blunt question but I ask it with respect, do we need an ambassador in the Soviet Union? The reason I ask this, ever since the days of Henry Kissinger and Richard Nixon, we seem to use Mr. Dobrynin, the Soviet Ambassador, as our ambassador, and even though he has to park now upstairs rather than downstairs in the State Department garage, is there any way that we can break out of this? Make our ambassador effective in the Soviet Union?

Ambassador WATSON. Well, I had no trouble seeing anybody in the Soviet Union that I wanted to but you know well, because you were visiting there while I was there, that it is a different kind of society now. The hostesses of Moscow are not anxious to get me to dinner whereas the hostesses of Washington often were very anxious to get Anatoly to dinner. He's a charming man. That's a closed society. We have an open society. But as far as I was concerned, I had no trouble getting to see any of them that I wanted to. Most of my visits were confrontational and yet when I left I thought that I had a good relationship with all of them, insofar as one can be very realistic and still have a good relationship.

Mr. CLARK. If we could get back to Iran for just a moment because this question of how we would react to any Soviet move into Iran could become an extremely critical one, General David Jones, the Chairman of the Joint Chiefs of Staff, did some of the toughest talking in this area this week, and he said before the Senate Armed Services Committee that if the Russians moved into Iran they should know that we might respond somewhere else in the world, perhaps with an attack on the Russian Navy somewhere. Do the Russians listen to that sort of threat?

Ambassador WATSON. I think that it contributes to the kind of atmosphere of tension but I don't think the Russians are particularly impressed by those kind of statements. The Russians know our potential and I think that silent diplomacy and silent management of the thing and personal conferences are a lot better in dealing with the Soviets than trying to deal with them through newspaper headlines.

Mr. CLARK. One of the areas where you disagree with President Reagan and Secretary of State Haig is over linkage. They are strongly for it and you have been generally opposed to the principle of linkage. Why?

Ambassador WATSON. Well, I think that you're comparing a mountain, in a way, with a molehill when you talk about linking a thermonuclear treaty when you are dealing with something that can destroy the whole Western World and an operation in Poland, serious though it may be, and it certainly would be serious, or a misbehavior in El Salvador. I think those are terrible things and I think they should be responded to with conventional arms and I think we ought to be strong enough, and if we are strong enough and dedicated enough, they won't be doing those kinds of adventures. But comparing the two different things together, they are just not in the same ballpark.

Mr. VANOCUR. Mr. Ambassador, when I was in the Soviet Union, you had this sense of paranoia about their own insecurity, kept mentioning phrases like parity, equality with the United States. Is there any way that the United States can satisfy this insecurity paranoia without jeopardizing our own vital interests?

Ambassador WATSON. I believe that we can do that. I believe a good treaty which is fair to both sides, as I believe SALT II was, I've never been able to discover the fatal flaw that I heard about so much during the election, if we could get that settled and then had sufficient conventional forces so that they would respect us wherever we happened to want to project our influence in the world, and we would respect them, I think that we could slowly simmer the whole thing down. Going in the direction we are going in now is calculated to get the worst kind of response out of the Russians.

Mr. CLARK. Mr. Ambassador, you have stressed several times the need to build up conventional arms to close the gap with the Russians, on conventional arms, but yet some of our military experts say it is going to take at least five or ten years, to let them get so far ahead. What do we do in the meantime? Is that the period of most critical danger?

Ambassador WATSON. Yes, I don't think they are nearly that far ahead of us. You'd have to count. They have a much different military problem than we. They have a hostile border of 7,000 miles, maybe 10,000 miles, China around to Finland. We don't have that kind of a problem. We also have some allies. So that you have to make sophisticated counts of what the strategic requirements will be. They probably are somewhat ahead of us in the areas of tanks and perhaps forward based aircraft. But we ought to be able to correct that very easily. And to think that you can control that gap by using thermonuclear weapons, is what I really wanted to make as the point here today, because you really can't. For many years we were able to do it. We had a monopoly. They were relatively cheap to build. And during the Cuban missile crisis, we were way ahead of the Russians and they backed out of there. Mr. Kunetsov said at that point, never again will be in a position to have to do this, and they've made great national sacrifices, you've seen, to bring themselves even. I think, as far as those weapons go, once somebody else has the same number you have, that is a useless weapon. And the best you can do is to treaty it and control it. Remember, on treaties, none of the treaties we have made are treaties that cannot be verified. There's no mutual trust between these two nations. And so each one wants to verify the other's compliance with the treaty.

Mr. CLARK. Mr. Ambassador, we thank you very much for being our guest on Issues and Answers.●

ESTONIAN INDEPENDENCE DAY

● Mr. PERCY. Mr. President, as we note the 63d anniversary of Estonia's proclamation of independence, we recall sadly that Estonia's independence was brutally cut short in June 1940 when the Soviet Union occupied Estonia and her neighbor states Latvia and Lithuania. Serious violations of individual rights pledged by the Soviet Union in the Helsinki Final Act continue today in Soviet-occupied Estonia.

On this occasion those of Estonian heritage in this country and elsewhere commemorate the establishment of the independent Estonian state in 1918 and renew their commitment and vigil for the return of independence to Estonia. All of us Americans, who are blessed with freedom, pay tribute to the rich scientific and cultural contributions of Estonians to Western civilization, and join with Estonians in their ongoing commitment to Estonian independence.●

THE SUCCESSFUL CETA PROGRAM IN BAYONNE, N.J.

● Mr. WILLIAMS. Mr. President, I was delighted to see Senator HATCH's favor-

able comments in the RECORD of February 26, 1981, regarding the Job Corps program following his tour of the Clearfield Job Corps Center located in Utah.

Senator HATCH succinctly outlined one of the many success stories that results from taking impoverished and unemployed youth and providing them with basic education, vocational skills training, work experience, and counseling. The results are readily apparent.

At a time when we are inundated with all the horror stories and the abuses that exist within the Comprehensive Employment and Training Act, as well as encountering the administration's efforts to cut back public service employment. I would like to offer yet another success story.

In Bayonne, N.J., which is, I might add, Secretary of Labor Donovan's hometown, we have found that public service employment workers have made a tremendous impact to the community with the services they provided. As a result of CETA employment, more than 123 individuals have been successfully placed into the mainstream of employment.

As we review the budget requests and proposed modifications to the CETA program, it is my hope that we can also focus on the beneficial effects these programs have had for disadvantaged individuals and the communities they have served.

I submit for the RECORD the Bayonne story as related by the mayor of Bayonne, the Honorable Dennis P. Collins, and also examples he has submitted of how CETA has worked.

The material follows:

STATEMENT OF MAYOR DENNIS P. COLLINS OF BAYONNE, N.J.

It would not be unrealistic for me to call our CETA program a "blessing" for both the city and for its residents who were caught in the midst of the national recession without a job. CETA was an answer to their prayers and an opportunity for the city to use an enlarged workforce to achieve goals that were only a dream before.

I refer, in particular, to the marvelous job of bulkheading done along the Newark Bay shoreline at City Park and Veterans Park by CETA carpenters, the great job of renovation accomplished at the old City Hall Annex building that had been unused except for storage since the 1972 opening of the new municipal building, and which is now being used by community agencies; the refurbishing of the former St. Andrew's School as a senior citizen center; renovation of the BEOF building at 22nd Street and the Boulevard; the Community Day Nursery building at 27th Street and Broadway; the teen-age/senior citizen center and Bayonne Mental Health Center at Broadway and 27th Street; and the restoration of the old Fire Museum on West 47th Street that has been declared as both a state and national historic site; the repainting of our sewerage treatment plant for the first time in 23 years; the refurbishing of the city's centralized garage; and renovation work and assistance to many, many nonprofit organizations in the community.

CETA employees also contribute greatly to the smooth functioning of the various municipal and board of education departments where they are trained in their jobs and have proven to be able and dependable workers.

Even the CETA summer Youth Program has aided the city, not only by gainfully employing our youth, but also in providing much needed services and making genuine contributions. For example, a group of students conducted a door-to-door survey of residents to help determine the number and location of senior citizens and persons with disabilities. This information has proved invaluable for our Office on Aging and the nonprofit Barrier-Free Club which reaches out to help the disabled with services and programs.

Since the inception of the CETA programs, over 350 Bayonne residents have been given employment and training opportunities. This does not include the Summer Youth Programs. The CETA II Program was started on November 12, 1974, and 52 persons were hired under that title. Because of openings in regular municipal jobs due to attrition, 11 of these CETA employees were eventually transferred to the city's payroll.

The CETA Title VI program had its inception on January 14, 1975. Since that time, 161 employees were hired on this program and again, due to attrition, 29 of these people were able to be transferred onto the municipal rolls.

On July 12, 1977, the CETA VI PSE Projects Program went into effect and since that time 142 employees had been hired. Finally, over 500 youth are hired each summer on that special program.

The information above gives examples of benefits to both the city and its residents gained through the CETA programs. I must stress that I have only cited a few examples since a listing of all benefits would take more space than contained in this letter.

Bayonne's success with CETA stems primarily from good administration and my appreciation is extended to the entire CETA administrative staff. Additionally, no program can succeed without the dedicated efforts of its members. And, so, I also extend thanks to the individual CETA employees who, through their efforts and good work, make the programs a success.

I would be very remiss if I didn't single out Edward M. Farrelly, executive director of the Hudson County CETA Consortium, and his dedicated staff for their invaluable advice and assistance. They treat us with the utmost courtesy and helpfulness whenever we call or visit. The success of Bayonne's CETA programs—and I'm confident of the program in Hudson's other municipalities as well—can also be traced to Ed Farrelly and his staff.

Unfortunately, there are so many critics of CETA who attack it blindly without realizing its great benefits. Our leaders in Washington are looking to curtail expenditures for these programs and to place needless restrictions on working CETA programs in the interest of the national economy.

Yet, they do not explain how it will help the economy if thousands of CETA workers are unemployed and if cities and other CETA sponsors have to curtail much needed programs for the community.

I again publicly pledge to work in close cooperation with Ed Farrelly, other mayors and CETA sponsors to maintain and hopefully even increase our CETA programs.

We at the grassroots know CETA works and we seek the cooperation of our Washington representatives to lend their efforts in seeing to it that the CETA program continues in the interest of our people and our cities.

CITY OF BAYONNE,
INTER-OFFICE MEMORANDUM,
March 4, 1981.

From: John P. Sakowski, M.D., Director.
To: Hon. Dennis P. Collins, Mayor.

The following people are full time employees of this department, formerly CETA employees:

Rosemary Cook, Rosetta M. Considine, Catherine Daugherty, Kevin Doyle, Gail Lake, Helen V. Mullanaphy.

The CETA program was helpful to this department in that it allowed employees to be hired and trained. Because of the in-depth training they received, the above were transferred to the regular payroll when vacancies occurred.

JOHN P. SAKOWSKI, M.D.,
Director.

CITY OF BAYONNE,
INTER-OFFICE MEMORANDUM,
March 4, 1981.

From: Gerard Kinch, Bldg. Supt.
To: Mayor Dennis P. Collins.

Building Services—Former CETA employees now city employees:

John James Hanly, Edward Hynes, Thomas Kirby, Marion Sinopoli, James F. Zeigler, Arthur Naugle.

The reason the above were transferred to the regular municipal payroll was because of the fact that their training and job performance as CETA employees was excellent.

CITY OF BAYONNE,
INTER-OFFICE MEMORANDUM,
March 4, 1981.

From: Marvin A. Eger, Director of Finance.
To: Mayor Dennis P. Collins
Re: CETA.

The Comprehensive Employment Training Act has indeed been mutually beneficial to both Bayonne and the employees in the program.

Recognizing the prime interest of CETA, this department has had extraordinarily good success in training, retraining and teaching job skills to many employees who wanted to get into the main stream of the employed.

The department has demanded that any CETA employee take advantage of on-going educational opportunities in addition to on-the-job training. We have insisted that CETA employees take Civil Service examinations in their categories in order to be eligible for governmental positions as they became available.

During my tenure as Director of Finance, the following list of Department of Finance employees, who were former CETA employees, are outstanding examples of a productive work force that I am proud to be associated with and whom I have appointed.

Giovina Genova, senior clerk.
Rosalie Maguire, clerk typist.
George Misdom, senior assessing clerk.
Dorothy Devaney, cashier.
Kathy Agel, clerk.
Anita Hitchell, clerk.
Betty O'Connor, senior bookkeeping machine operator.
Irene Kokola, clerk.
Robert Schaible, cashier.
Ed Herrmann, senior account clerk.
John Coffey, city comptroller, provisional.

For a complete perspective it must be noted that many of our former CETA employees, after leaving here went on to fill productive positions in the private sector.

Several of the eight CETA employees presently employed in the department have also followed the described patterns of training and testing. They, too, will be placed in meaningful employ as they qualify.

Respectfully submitted,

MARVIN A. EGER.

CITY OF BAYONNE,
INTER-OFFICE MEMORANDUM,
March 4, 1981.

From: James F. Sisk, Director, Department of Public Safety.
To: Mayor Dennis P. Collins.
Re CETA Employees.

More than two dozen men and women have been employed and trained by the Department of Public Safety since the inception of the CETA program in 1975.

Those employed in our Police Garage, Police & Fire Signal System and Parking Meter Division have aided those departments im-

measurably. From their ranks, we have hired, under Civil Service, one employee who is assigned to the Parking Meter Division.

Our Bureau of Criminal Investigation (B.C.I.) benefited greatly by the acquired expertise of its CETA employees. A former CETA employee currently holds a position which had been previously filled by a police officer. We have also hired another former CETA employee, with provisional Civil Service status, who proved invaluable to this office. Other CETA personnel, formerly assigned to B.C.I., have attained Civil Service status in the Board of Education and employment in the private sector.

Those trained in our Fire Prevention Bureau went on to Civil Service positions in the City Clerk's office and at the County level.

Our Municipal Court and Violations Bureau are, perhaps, the greatest beneficiary of the CETA program. The tremendous volume of work in these departments could not be handled were it not for CETA personnel. The Violations Bureau, in particular, served as a training ground for young people embarking on a business career as well as those re-entering the business world. We have absorbed onto the city payroll, through Civil Service, three former CETA employees, two currently assigned to the Violations Bureau and one to Municipal Court.

JAMES F. SISK.

CITY OF BAYONNE,
INTER-OFFICE MEMORANDUM,
March 4, 1981.

From: James R. Donnelly, Business Administrator.

To: Honorable Dennis P. Collins, Mayor.

Re Comprehensive Employment & Training Program.

Since the inception of the C.E.T.A. Program, the office of Business Administration has benefited considerably as the result of having approximately eight employees who assisted in our every day activities.

Most of these employees received their training and eventually located in other municipalities or the private sector. As the result of their efforts we have been able to update much of the record keeping in Administration, Real Estate, Personnel and Purchasing.

Three of our former C.E.T.A. employees have been placed within other departments. Pat Goodhart is certified in the Law Department, J. Bonner is a provisional employee in Business Administration and Arthur Burns is a Budget Examiner within the Community Development Block Grant.

JAMES R. DONNELLY,
Business Administrator.

CITY OF BAYONNE,
INTER-OFFICE MEMORANDUM,
March 4, 1981.

From: Frank J. Ziobro, Law Director.

To: Hon. Dennis P. Collins, Mayor.

Re: CETA employees

We were only able to use three CETA employees from its inception until the present time, the reason being that we required personnel with superior qualifications to meet the needs of our department.

Of the three CETA employees, we were able to have two retained by our department on a permanent basis and I think that that is an excellent performance in training and placing those employees in our department.

CITY OF BAYONNE,
DEPARTMENT OF COMMUNITY
DEVELOPMENT,
March 4, 1981.

From: James M. Sweeney.

To: Hon. Dennis P. Collins, Mayor.

CETA workers have been utilized extensively in the Department of Community Development, performing basic construction tasks in the conversion or rehabilitation of City owned property as well as entry level municipal functions. CETA labor was used to introduce two employees (J. Sweeney, J. Garrantino) to City workers resulting in the eventual permanent full time employment of both. Others have helped complete surveys and neighborhood analysis for the various planning studies accomplished.

The heart of the CETA program has been the improvements completed on various municipally owned buildings. A staff of five men have completed the total renovation of the 47th Street Fire Museum, the City Hall Annex, the BEOF/Whelman's Club, St. Andrews Senior Citizen Center, the Neighborhood Preservation Office and to a large degree, the conversion of the former Democratic Club to the new home for the Community Day Nursery. These CETA projects have saved countless thousands of dollars in rehabilitation cost and have given new life to otherwise dilapidated structures.

JAMES M. SWEENEY, *Program Director.*

FREE PUBLIC LIBRARY,
Bayonne, N.J., March 4, 1981.

To: Honorable Dennis P. Collins, Mayor, City of Bayonne.

From: Mary E. O'Connor, Library Director.

Re: CETA employees at the Bayonne Public Library.

The following personnel worked at the Bayonne Public Library under the CETA job programs: Eugene Bocchiaro and Edward Lewis (who are still with CETA). Harry Babich, Richard Cerchio, Edward Helminski, Eugene Barry, Anthony Pietrowicz, George Szweada and John Lewandowski.

Of the above the following were later transferred to the regular Bayonne Public Library payroll: Catherine Dougherty as Account Clerk Typist, Edward Helminiski as Heating and Air Conditioning Operator, George Szweada as Building Maintenance Worker, Anthony Pietrowicz at Maintenance Repairer, John Lewandowski as Maintenance Repairer (who has since retired), Joseph Lupo will be hired as Guard Public Property effective April 1, 1981 when the present incumbent retires.

These training positions have served as an excellent source of manpower to fill library vacancies and I strongly urge that the CETA program be continued.

MARY E. O'CONNOR,
Library Director.

CITY OF BAYONNE,
INTER-OFFICE MEMORANDUM,
March 4, 1981.

From: Edward M. Sweeney, Director, Public Works Parks and Recreation.

To: Mayor Dennis P. Collins.

This is in answer to your request of March 3, 1981 requesting my opinion of the CETA program and how many employees were hired on the City payroll from CETA.

Attached are my comments on this matter.

EDWARD M. SWEENEY.

CETA COMMENTS

As the Director of the Department of Public Works, Parks & Recreation, I feel that the Comprehensive Employment and Training Act (CETA) has been very successful. CETA workers have gained on the job education and training in our department and a good percentage of CETA workers have found permanent employment with the City as vacancies permitted. Thus, we have carried out the goals of the CETA program.

With a breakdown of the department we can show that we have trained and hired people for a variety of jobs.

Sanitation Division—Approximately 35 percent of the division's work force came from CETA ranks.

Mechanical Division—An estimated 60% of our employees at the Central Garage are former CETA workers who gained valuable mechanical training.

Parks Division—Almost 25 percent of our work force in this division are former CETA workers. They have been trained to do a diverse number of jobs which include forestry, repairs, carpentry, painting and maintenance.

Recreation Division—25 percent of the workers in the recreation division were originally with CETA. They now perform work as recreation leaders, sports officials and secretaries.

Director's Office—20 percent of the clerical staff in the Director's office were trained under the CETA program.

SEWAGE PLANT PAINTING—CETA VI

To estimate the cost of the painting accomplished in the Sewage Disposal Plant to date, enclosed is a contractor's list of costs and labor involved if it was done by an outside paint contractor.

Funds for paint and labor paid by CETA. At no cost to city.

Contractor's total estimate, 1975, $33,075.00.

CONTRACTING ESTIMATED COST
SEWAGE TREATMENT PLANT

Area: Engine room:

Conditions:

Concrete ceilings—Raw, fine dust, some oil film.

Cranes (2), Crane beams steel (4)—Pitted rust, greasy muck.

Hand rails—Good. (1 coat of paint).

Sash—Good. Partial donel-coat.

Piping—Good. Partial donel-coat.

Operations room—Complete. (1 coat).

Overhead corrugated door—Pitted, muck.

Rigging—Major job in engine room. About 30 percent of time spent.

Cleaning method—By hand. Wire brushing, steel scrapers, some solvent washing, dust brushing.

Protection of engines and gear boxes from overhead dirt and fine dust by plastic covering.

Coatings—2 coats over 90 percent of area.

Types of paints—Concrete primers, latex finishes, steel primers, steel oil finishes, aluminum, enamels. $3,300.

Area: Compressor room (under grit room):

Conditions—Concrete ceilings and walls—Raw, oily, heavy dirt.

Piping—Oily film and dirt.

Cleaning method—Solvent cleaning, wire brushing, dust brushing.

Coatings—2 coats on all items.

Types of paint—Concrete primer latex finish and semigloss (dado). Aluminum. $650.

Area: Vacuum room (under filter room):

Conditions—Concrete ceilings and walls—Raw, very heavy dirt and sludge.

Piping—Heavy dirt and sludge, rust.

Machinery—Oily and rust scale.

Cleaning method—Steel scrapers, wire brushing, solvent cleaning.

Coatings—2 coats over entire areas.

Types of paint—Concrete primer, latex finishes, semigloss steel primer, steel oil finish. $2,000.

Area: Corridors (main floor 2):

Conditions—Clean concrete ceilings and walls (dado only). Some dust. 1 coat.

Types of paint—Latex finish, semigloss. $400.

Area: Grit room:

Conditions—Structural steel—85 percent heavy rust and scale. Thick dirty lime.

Sash—Steel rusty.

Hand Rails—good. (1 coat).

Piping—Partially rusty.

Rigging—Scaffolding over flume pits. About 30 percent of time spent.

Coatings—3 coats over 75 percent of area.

Cleaning Method—By hand, wire brushing, steel hammer chipping, dust brushing.

Types of paint—Steel primer, Aluminum, Enamels, $7,200.

Area: Laboratory:

Conditions—Concrete ceilings—dirty. Some dust—peeling.

Brick walls—(dado 5') Good. Some peeling (1 coat).

Sash—Good. (1 coat).

Counter Tops—Good. (1 coat Epoxy).

Cleaning Method—Metal scrapers, dust brushes.

Protection—Plastic covering equipment, Cabinets and Floor.

Scaffolding—20 percent of time spent.

Types of Paint—Concrete primer and finishes, Latex Semi-Gloss (Dado walls), Epoxy. $850

Area: Kitchen (lower level):

Conditions—Ceilings, walls and deck—partial peeling, dusty.

Coatings—10 percent prime.

Types of Paint—Latex flat, Semi-Gloss Porch and Deck Enamel. $140.

Area: Shower Room and Locker Room (lower level):

Conditions—Ceilings and Walls—Partial peeling, dusty.

Coatings—20 percent Prime.

Types of Paint—Latex flat and Semi-Gloss. $300.

Area: Stairways (2 to below engine room):

Conditions—Walls and Stairs—Good.

Coatings—1 coat all surfaces.

Types of Paint—Semi-Gloss Porch and Deck Enamel. $200.

Area: Under Engine Room:

Conditions—Ceilings, Walls, Floor—Raw, dirty.

Equipment and Piping—Heavy dirt, oily film. Heavy grease on deck.

Cleaning Method—Washing down completely with soapy water and solvents.

All Steel Surfaces—Wire brushing and scraping. Congested area hard to get at.

Coatings—2 coats 70 percent of Area.

Types of Paint—Latex primer and finish, Semi-Gloss Porch and Deck Enamels, Aluminum, $2,500.

Area: Locker Room (main floor):

Conditions—Ceilings and Walls—Peeling.

Coatings—20 Percent Priming.

Types of Paint—Latex flat and Semi-Gloss. $150.

Area: Boiler Room:

Conditions—Ceilings and Walls—Raw, heavy soot, oily in spots.

Equipment—Greasy with dirt.

Cleaning Method—Wire brushing, solvent cleaning, dust brushing.

Coating—Heavy aluminum.

Types of Paint—Aluminum, Enamel (motors). $1,100.

Area: Corridors (2-lower level):

Conditions—Ceilings and Walls—Raw.

Piping—Pitted rust, heavy dust.

Cleaning Method—Wire brushing, dust brushing.

Types of Paint—Latex primers and finishes, Semi-Gloss (dado), steel primers, steel oil finishes, Enamels, Aluminum. $675.

Area: Stairway (to vacuum pump area room):

Conditions—Concrete Walls—Good.

Coatings—1 coat only. (lower steps—1 coat).

Types of Paint—Semi-Gloss (walls). Porch and Deck Enamel (stairs). $100.

Area: Compressor Room (under engine room):

Conditions—Concrete Ceilings, Walls and Deck—Raw, oily and greasy, clinging dirt.

Tanks, Machinery, Piping—oily and greasy, heavy dirt.

Cleaning Method—Complete washing of all areas with soapy water and solvents. Wire brushing.

Coatings—2 coats over entire areas.

Types of Paint—Concrete primer latex finish and Semi-Gloss (dado). Steel primer, steel oil paint finish, Enamels, porch and deck oil. $950.

Area: Men's Toilet (main floor):

Conditions—Concrete Ceilings, Brick Walls—Peelings.

Coatings—Metal Partitions—Good (1 coat).

Ceilings—2 coats.

Walls—1 coat.

Types of Paint—Latex flat, Semi-Gloss, Enamel. $200.

Area: Filter Room:

Conditions—Concrete Ceilings—Raw, heavy dirt.

Cranes (2) Crane Beams (4)—Pitted rust, heavy dirt.

Sash—Pitted rust, heavy dirt.

Machinery—Heavy dirt, rust.

Hand Rails—Good (1 coat).

Over-Head Corrugated Door—Pitted. Heavy dirt.

Piping—Heavy dirt.

Rigging—about 25 percent of time spent.

Cleaning Method—Steel scrapers, hand wire brushing, solvent cleaning, dust brushing.

Coatings—2 coats over 90 percent of Area.

Types of Paint—Concrete primers, Latex finishes, steel primers, steel oil finishes, Aluminum, Enamels. $4,100.

Area: Stairway (end of filter room incl. area between vacuum room and tunnel):

Conditions—Concrete Walls—Raw, very heavy muck on piping.

Coatings—Hand Rails—Good (1 coat).

Walls—2 coats.

Types of Paint—Concrete primer, latex finishes, steel oil paint, Enamel. $1,100.

Area: Tunnel to Upper Gallery:

Conditions—Concrete Ceilings and Walls—Raw.

Piping—fair condition.

Coatings—1 heavy coat on all surfaces.

Types of paint—Latex masonary paint. Semi-Gloss oil paint on steel, Aluminum. $1,100.

Area: Cyclone Fence: 650 feet of fence wire brushed. One coat Aluminum. $750.

Area: Base of Water Department Garage: 1 coat on concrete 4' Base, $310.

Other Painting in Misc. Areas—Pumping Station, etc. $1,000.

Total: $36,000.

Total estimated cost, tools add 5 percent, $29,075.00.

Estimated paint cost, $4,000.00 (bid cost).

Total, $33,075.00, May 1–Jan. 31 (9 months).●

BILL KURTIS ON POLAND

● Mr. PERCY. Mr. President, one of the relatively few Western journalists who has been able to enter Poland in recent months and cover the story of the solidarity union movement comprehensively is Chicago channel 2 anchorman Bill Kurtis.

In his special report for WBBM–TV in Chicago, and in special articles for the Chicago Sun-Times, Bill Kurtis has captured the human details of the new spirit of hope that characterizes Poland's recent turmoil. It is in the best tradition of foreign correspondent journalism, full of insight into the forces shaping Poland's present renewal, and an inspiration to all of us who care deeply about the traditions and spirit of the Polish nation. Bill Kurtis has brought us a vivid picture of the struggle and optimism of Poland's workers.

Describing a rally in support of farmers' demands for an independent farmers' union, Kurtis says:

The spirit was here, the close relationship between the moral strength of what is happening in Poland and the people's force to carry it out. It has led many Poles to set their minds on the future, oblivious to threats of Soviet intervention, confident in their faith and a new Polish spirit—of Solidarnosc.

Mr. President, I ask unanimous consent that the full text of Bill Kurtis' articles on his recent travels in Poland for the Chicago Sun-Times be inserted in the RECORD at this point.

The article follows:

SOLIDARNOSC—AMID POLAND'S TURMOIL, A NEW, SMILING SPIRIT

(By Bill Kurtis)

WARSAW, POLAND.—A tall man, his dark coat turned up against the chill February wind, teetered on his toes, straining to see the beginning of the serpentine line that he had joined. He saw only the cold breath of his fellow Warsaw shoppers and the shifting of their stout frames from one foot to another. It gave the column a false sense of movement as it twisted out of sight around a corner.

One full city block from the newcomer's position, the line ended in a flurry of arms and elbows struggling to enter the doorway of a "delicatesy," patience finally giving way to the anticipation that had built during a four-hour wait to buy a few tins of canned tomatoes.

It is a common picture of Poland, 1981, for there are lines everywhere, longer than at any time in recent history, created by shortages of meat, fruit, dairy products, flour and appliances. For the average Pole, there was no store immune from the specter of empty shelves.

The Depression scene, although quite accurate, is a superficial impression, however. There is something more significant in the line of shoppers that more precisely represents Poland today.

Even after hours standing in the cold dampness, the rugged faces were smiling. Their voices were lively in animated conversation that mirrored small red-and-white pins on their coats, which bore a single word—SOLIDARNOSC.

It is a rallying cry for a new Polish spirit that has swept from the Baltic Sea to the Czech border, from the Silesian coal mines to the Black Madonna—Our Lady of Czestochowa. Solidarnosc has captured union workers and professionals, dissenters and intellectuals, housewives, students and farmers, cab drivers and waiters. It has unified the country into a single cause larger than any Polish force outside the Catholic Church and has turned a union of shipyard workers into a social movement that outnumbers the Communist Party in Poland 3–1.

Despite its size, however, and impressive gains—the five-day workweek that took six months to achieve in Poland took 10 years in East Germany—the spirit that represents social revolution in Poland also could topple the country into further Communist repression.

The most visible symbol of Solidarnosc is 38-year-old Lech Walesa, holding the reins of popular support in his hands while trying to delicately steer between Scylla and Charybdis—the Communist parties of Poland and the Soviet Union.

Walesa is no Mahatma Gandhi, although he endorses the same nonviolent tactics Gandhi used against the ruling British government in India. He is no Dr. Martin Luther King, Jr., although he identifies with the same Christian themes of neighborly love as a means to an end. He is a creation of communism's laboring class, a socialist who believes in free speech and free assembly but not necessarily in capitalism.

In early February, I found Walesa chasing one wildcat strike after another like a fireman trying to put out blazes, trying to mediate and moderate the labor problems, ironically, after having set off the first spark

of hope himself. He is attempting to hold the rising spirit of Solidarnosc within some control, preaching non-violence and patience, singing the Polish National Anthem with strikers in Bielsko-Biala and trying to avoid disorder there at the same time.

His rich, chestnut-colored mustache, split by the curving, full-bowled pipe he has recently taken up to cut a chain-smoking cigarette habit, has become a familiar trademark throughout Poland. He breezes into buildings with the swagger of a re-elected politician. He can exhibit a toughness forged in the shipyards of Gdansk and a shortness of temper intrinsic to union bargaining agents. Yet he also possesses the feisty charm of a streetfighter with the ability to use his warm smile to control the mood of a crowd as a maestro might lead an orchestra from one movement to another.

I have watched him crushed between security guards and tenacious television camera crews to be spewed into a waiting bus at Rome's Leonardo da Vinci Airport, only to mug for the cameras through the windows once inside, obviously enjoying the jostling attention. Even exhausted at the end of marathon negotiating sessions in Warsaw, Walesa would pause briefly amid the blue lights to communicate with the media—not playing to it, but responding dutifully to the waiting press.

We live in an age in which leaders often must excel in two arenas. One is private, like Walesa's presence at a negotiating table in Gdansk, and the other is public, like his media image of "commonness"—with loosely combed hair and ill-fitting clothes—which ignites the identification of a Polish constituency.

He has become the Poles' lightning rod, elevated from simple roots amid shipyard workers in Gdansk to world prominence. The small nation of 35 million seems to be riding along at his side, sharing each experience vicariously, sharing the thrill of winning—so far.

Every Pole's dream is to visit the pope at the Vatican. Walesa was there, kneeling to kiss the papal ring, standing alongside his holiness to receive a papal blessing and appearing to confer privately with the man who embodies the greatest surge of Polish pride in the country's history. The symbolism carried in a wirephoto back to Poland had enormous impact. A copy is still pinned to the wall of Solidarity's Warsaw office and its nonverbal communication speaks volumes on behalf of the Solidarnosc cause. Pope John Paul II is standing on the right, representing the moral strength of the Polish people, embracing the "commoner" Lech Walesa, who has become Every Pole.

The message during that embrace was to go slowly and peacefully. The strategy seems clear—to avoid giving the Soviet Union reason to send troops onto Polish soil, but it is a tall order to control the spirit of a social movement that is percolating wildly through millions of different hearts and minds.

Poles throughout the country already have begun liberalizing the communist structure in many individual ways, like speaking freely.

There was a Polish saying applied in the past: "When a Pole comes home from work he changes his shoes and his views." Today, proudly, Poles tell you that the phrase should be shortened to: "When a Pole comes home from work, he changes his shoes—period!"

The new attitude has taken the form of a boldness, even in front of the communist bosses, that at times seems to go even beyond Walesa's example. In the recent wildcat strike in Bielsko-Biala, where workers were out for 10 days, the issue was corruption among provincial Communist Party leaders, well beyond the traditional labor complaints of wages and working conditions. Communist Party leader Stanislaw Kania described the growth of Solidarity support in these areas as a political opposition force. That was denied by Walesa and other union leaders, but even impartial observers find truth in the charge. A strike in Jelenia Gora included demands to relinquish a vacation resort used exclusively by Communist Party members, another example of what Kania would call using strikes for political ends—but what the workers there were calling "justice."

Even sympathetic observers believe many areas are in a state of anarchy that pushes Walesa dangerously close to losing his comfortable negotiating relationship with the current ruling party and perilously close to the edge of chaos, which would be used by the Soviet Union as justification for sending troops into Poland to restore order.

In every sector are stories of individual "victories" in support of Solidarity goals. During dinner one night, I kidded the waiter about his lack of a Solidarnosc lapel pin, which was being worn by fellow waiters in another restaurant not far away. He lifted his lapel, revealing a red-and-white Solidarnosc button underneath, explaining that the national strike scheduled for Feb. 3 had been called off, according to a news conference broadcast only a few hours before. His attention to the matter had not missed a detail of the announcement.

Access to the media has, of course, speeded the growth of Solidarity. Before the summer of 1980, state-controlled television and radio broadcast only Communist-censored information. In the Gdansk agreement negotiated between the shipyard workers and the government, Solidarnosc was granted access to the media for the union's own purposes, which amounts to a pipeline of information completely independent of the government. In addition to that enormous concession, the government granted permission for Sunday mass to be broadcast for the benefit of shut-ins. It was Solidarnosc's "gift" to the church, and it cemented the trade union's bond with the movements alter ego.

A student who worked part time as a guide for foreign tourists expressed his feelings for Solidarnosc by referring to his father. "My father is a disappointed man. For 35 years he's worked hard in the belief that it would be good for his family, and now we don't even get a washing machine, automobile parts or food. Thirty-five years ago he thought it would all work out, that his generation would sacrifice for later generations of Poles—his sons—but he's bitterly disappointed." The father's sadness has become a flicker of hope in the son's eyes, hope that is carried in the organization—Solidarnosc.

Some 60,000 printers are members of Solidarity. They recently pressured their censors to let them print the truth, threatening to print the newspapers with blank spaces where the censor's cuts had been made. At one point, printers working on the Zycie Warszawy newspaper refused to print articles critical of Solidarnosc.

Journalists have carved new gains as the censors relaxed their red pencils in the mood of the reforms sweeping the country.

Two-thirds of the employees of Polish television are members of Solidarnosc.

Students, who touched off major protests in 1968 resulting in expanded academic freedoms, are almost lost in the current free-fire zone of labor unrest. They have taken over university buildings and staged hunger strikes to protest mandatory courses in Russian languages and Communist history.

The Holy Cross Church in Warsaw, where the first Radio Mass was broadcast under the agreement, closes each service Sunday with a Polish hymn that seems appropriately patriotic as well as religious. It's entitled "Let Poland Be Poland."

I saw the full scope of the Solidarnosc spirit most clearly during a dinner in the home of an upscale Polish family. Both husband and wife were engineers. She was a member of Solidarity and he was a member of the Communist Party who in 1978 had even served as an adviser to the Republic of Vietnam. Her support for the Solidarnosc cause was based on pragmatic reasons—"I hope Solidarnosc will influence supplies on the market and the standard of living." But there also were broader desires from the Communist member of the movement, bold talk in a conversation with a Western journalist. The husband joined her to say, "In my opinion the government could be more democratic, to promote the general welfare of the people."

"How will Solidarnosc be able to live with Communism?" I asked. "What will be the result?"

He was wrestling with his own concept of communism, as Poles have done for 35 years, balancing a socialist government with their opinions about Christianity. He replied, "Jesus Christ was the first communist." I suggested that communism was atheistic, to which he replied, "I mean Jesus Christ disapproved of any kind of mistreatment and persecution. His principles were the same as communism, that everything should be centered on man's good. He wanted to establish relationships based on man's equality. That's why I say he was communistic." He made it clear that Solidarity was not expected to overturn communism in exchange for capitalism, but even as a Communist Party member he expected a democratization of Polish Socialism.

We ate Polish ham and sausage, spiced with ample servings of Polish vodka. The meat, our hostess admitted, was obtained through diplomatic "connections." We'd call it "clout" in Chicago. That, she said, is the way many people are getting by—trading through friends and "connections."

During the meal, the lifestyle of the average Pole became the topic of their concern.

If someone wants an automatic washer, he pays the total price for the privilege of having his name placed on a list of buyers who must wait, for years sometimes, for the next shipment. Young couples routinely live for five to six years with their parents until they become eligible for housing. It is a practice by many parents to place a child's name on the housing list when he enters elementary school, so that when the child nears the age of marriage the wait will not be as long.

All these things, the couple hoped, would be helped by Solidarnosc, but realistically they smiled, knowing the social movement still was working from outside the center of power.

Shortly before leaving, our communist host said he probably would join Solidarity himself, to please his wife, but he added, "I think we are dealing with the particular character of the Polish economy. There have been restrictions in recent years, import restrictions, employment restrictions, and all of them have obstructed the economy. What we need is a new approach. There are enterprises which require many employees. When there are restrictions they can't function. That's why changes are needed along with a new responsibility on the part of managers."

On the way to the door, the walls of their children's room in the small apartment could be seen covered with posters of such American teen-age idols as Leif Garrett, the Bee Gees and the Beatles. Western influence through television programs and motion pictures has saturated Poland with the taste of a freer life in the West and with how life could be.

It has all contributed to a state of mind that now demands change.

A HARD ROAD TO SOLIDARITY—BUT WHERE WILL IT END?

(By Bill Kurtis)

WARSAW.—The current unrest in Poland can be seen with some clarity if placed in its historical perspective.

Throughout the 19th century, while

Poland's partitioned borders changed like shifting sands between Prussia, Russia and Austria, every generation rose up to claim the rights to a free and independent Poland.

That sovereignty was finally granted by treaty, not revolution, in 1919 with the Treaty of Versailles, only to be wiped away again when the Nazi blitzkreig swept into Poland in 1939. Socialism replaced it six years later under the repressive hand of Stalin's Communist Party leadership. It was a time of rebuilding and sacrifice so the next generation of Poles might be better off.

It was 1956 before the first real protest was led by students and workers against the policies of Stalin and Poland won a change of government with Wladyslaw Gomulka elected to head the United Workers (communist) Party. The Stalin era faded and the next 25 years was marked by the dates of strikes and protests which wrested small victories from the Communist regime.

Student strikes in 1968 achieved greater independence for scientists and academicians. Gdansk laborers struck the shipyards in 1970 to demand a union free from control of the Communist Party. They made the mistake, however, of letting their emotions spill into the streets, giving the government cause to use force to put down the riots. Nearly 50 men were killed. Among the strikers was a 28-year-old electrician named Lech Walesa whose experiences were stored away to form the basis of a strategy 10 years later in the same shipyards.

Strikes and protests in 1976 and 1978 all brought a modicum of reform but they were largely dissipated efforts of dissenters and intellectuals unable to unite the large population to their cause.

Solidarity can be traced to three concurrent forces that were developing during the '70s. The first was an economy that promised hope but failed.

After the 1970 Gdansk experience, Communist Party leader Edward Gierek liberalized the Polish government and promised economic expansion by turning to the West for the funding of industrial growth. The United States and European giants poured billions of dollars into Poland, creating an impressive industrial base but one that quickly extended beyond its existing technical capacity.

Poland had planned to repay the huge loans by selling its products in Western markets. That became a deep flaw. Those Western markets dried up when inflation and recession cut deeply into world economies, including that of the United States, and the quality of Polish goods simply did not measure up to those products already being sold in the Western markets.

In 1975, Poland's economy began to slide badly, unable to keep up with the optimistic undertaking of the first half of the decade. Much of Poland's production was taken out of internal consumption and exported to obtain hard currency to help repay the huge loans.

Lines begin to form when shortages appeared in stores throughout Poland. Housing slumped. Imports were restricted. Essential items like medicine ran into short supply. If the Poles prided themselves on anything it was eating well, especially pork, which carried them through the harsh winters. Eventually, farmers found it unprofitable, or they wanted to get a message across to the government, to raise pigs. Meat, vegetables, tractors, automobiles all seemed to be leaving the country, making it hard for Poles to buy even their own goods produced in Poland. They were left standing in line for what was available.

It was a severe blow, especially after the optimism of the early '70s, which led many to believe they could actually challenge Japan in productivity.

During this period of liberalized relations with the West, the highway between Warsaw and Chicago was flowing openly. Relatives visited frequently and the "culture" of the West poured into Poland.

As the economy faltered, so did the Polish faith in the Communist leadership. Rumors of special favors going to party members led to charges of government corruption, which fueled a total rejection of the governing ability of the ruling party and, perhaps more seriously, eroded any faith left in the economic policies.

By the end of the decade, Poland was $23 billion in debt to Western nations and the lines were longer than ever.

Concurrently, Polish pride was on the upswing, destined to peak at the end of the decade in the proudest moment of its 1,000-year church history when a Pole became pope. The significance can't be overestimated.

Poland is very likely the most devout Roman Catholic nation in the World. A full 90 percent of its population are Catholics and 75 percent are practicing believers. The church had become their shield under communism.

When Karol Wojtyla became pope in 1978, it was a confirmation of that deep faith, even a sign that 35 years of growing Catholicism under an atheistic system was destined for bigger things. Polish pride soared.

When Pope John Paul II visited Poland in 1979, the country unified in its one faith, behind one man. Even Communist Party members mixed into the huge turnouts to see the pope.

Although Cardinal Wojtyla had always followed the lead of his mentor, Cardinal Stefan Wyszynski, in preaching peace and internal order and moderation in the demands for unions and free speech, his message was taken by many as a direct challenge to the ruling government, a call to action to claim human rights of free speech and assembly—unions.

When the government ended its subsidy of the middlemen who sold meat, resulting in sharp increases in the prices of ham and sausage, the cutoff served as a trigger for the action Pope John Paul II seemed to be calling for.

Strikers bolted the gates of the Gdansk shipyard, this time staying inside the factories to avoid giving the authorities reason to call in force to put the action down.

By August, 1980, the strike had caught the world's imagination as the fight of a small band of men, struggling for their human rights against the great odds of Poland's powerful Communist Party backed up by the tanks of the Soviet Union. When 38-year-old Lech Walesa climbed the gates to announce victory to his fellow strikers, his speech was heard around the world. Maybe it was the appeal of the underdog winning against a Goliath, or perhaps the world sensed a valiant stirring in the soft underbelly of communism among the workers themselves.

Walesa was transformed from an out-of-work electrician into a world celebrity, and to his Polish constituency he became a hero second only to the Pope.

Solidarity had won the right to become a union independent of the ruling Communist Party. Within three months, 3 million Poles had agreed to join its ranks. By January, 1981, it claimed 10 million members, eclipsing the 3.5 million Communist Party members, many of whom had signed up as Solidarity supporters as well.

It was no longer just a union but a social movement which for many represented Polands only hope for reform. Intellectuals who could before muster only isolated support joined the spirit of change around the unified theme of democratic and economic reform.

Communist Party leader Stanislaw Kania charged that Solidarnosc had become more than a union, it had become a political opposition force. Walesa and others carefully denied any political aspirations but they are being pushed along by the Spirit of Solidarnosc, as clear to the Communist Party as it is to the people.

Each day seems to bring Poland to the edge of a cliff from which it has, so far, managed to back away. The questions loom daily. When will Solidarity go too far? When will it be unable to contain the spirit that is sweeping Poland? When will the government decide to use force, either Polish troops or Soviets, to restore order to Poland? And what then?

Walesa's most difficult problems of control may lie in the rural areas where farmers have already expressed dissatisfaction with a Supreme Court ruling that denied them an independent farmers union. Their feelings are deep.

I attended a rally of Rural Solidarity 25 miles from Warsaw, where 5,000 peasants farmers quietly marched behind a red banner from a church to a soccer stadium. They sat for two hours in the cold, listening to speeches calling for action, listing the complaints among the farmers, such as the inability to get tractors, parts, jeeps and fertilizer, and asking why the state-owned farms could get equipment easily.

When the rally was over, they marched back to mass at the church and sang hymns facing the same Rural Solidarity banner they had followed to the rally. Again, the spirit was here, the close relationship between the moral strength of what is happening in Poland and the peoples force to carry it out. It has led many Poles to set their minds on the future, oblivious to threats of Soviet intervention, confident in their faith and a new Polish spirit—of Solidarnosc.●

ORDER FOR THE RECOGNITION OF SENATORS BAUCUS AND KENNEDY ON TUESDAY, MARCH 10, 1981

Mr. STEVENS. Mr. President, I ask unanimous consent that Senator BAUCUS and Senator KENNEDY each be recognized for a special order not to exceed 15 minutes on Tuesday, March 10.

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

ORDER PERMITTING THE INTRODUCTION OF BILLS, RESOLUTIONS, AND STATEMENTS, AND AUTHORIZING COMMITTEES TO FILE REPORTS UNTIL 3 P.M. TODAY

Mr. STEVENS. Mr. President, I ask unanimous consent that until 3 p.m. today Senators be permitted to introduce bills, resolutions, and statements, and that committees be authorized to file reports.

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

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

RECESS UNTIL 11 A.M. TOMORROW

Mr. STEVENS. Mr. President, I move, in accordance with the provisions of the order previously entered, that the Sen-

ate stand in recess until the hour of 11 a.m. tomorrow.

The motion was agreed to; and at 1:18 p.m., the Senate recessed until Friday, March 6, 1981, at 11 a.m.

NOMINATIONS

Executive nominations received by the Senate March 5, 1981:

SUPERIOR COURT OF THE DISTRICT OF COLUMBIA

The following-named person to be an Associate Judge of the Superior Court of the District of Columbia for a term of 15 years as follows:

Henry F. Greene, of the District of Columbia, vice Edmond T. Daly, deceased.

The following-named person to be an Associate Judge of the Superior Court of the District of Columbia for a term of 15 years as follows:

Ricardo M. Urbina, of the District of Columbia, vice Norma Holloway Johnson, elevated.

IN THE COAST GUARD

The following-named lieutenant commanders of the Coast Guard Reserve to be permanent commissioned officers in the Coast Guard Reserve in the grade of commander:

Wallace F. Kelley
John T. Schulenberg
Carl L. Perry
Alfred J. Rank
Robert P. Zigas
Richard W. Mattson
William A. Lordge
Robert G. Christian
James R. Hanlin
Regis C. King
James W. Kunkle
James M. Sharpe, Jr.
Daniel S. Wilshire
Garret W. Post
Lynn W. Meyer
Donald E. Tungate
Vivian J. Gianelloni III
Earl Bergadine
Larry A. Kittner
Hans A. Slade
Ollie W. McClung, Jr.
Richard F. Healing
Stephen M. Levine
Douglas W. Brown
Steven B. Satterthwaite
Edward H. Leska, Jr.
Thomas B. Rueb
Gordon K. Swain
Robert B. Wood
William B. Atkinson
Ronald E. Arbuckle
Bruce M. Patterson
Merlin E. Rudd
Thomas E. Sims III
Richard C. McCormac
Roy G. Phelps, Jr.
Robert B. Rabon
James A. Niedermayer
Jackson D. Ingram
Luke P. Benson
Anthony F. Finizio
Russell T. Hebert
Darvy M. Cohan
Robert W. Staton III
Samuel R. Volpentest
Gary J. Fields
Ernest L. Seeman
Lawrence T. Hubbard
John L. Pauly
Samuel G. Preiss, Jr.
Warren G. Appell
Gerald W. Bourland
Barton W. Stein
William B. Powell
Robert L. Rice
Richard R. Shaw
Charles M. Schubert
Richard H. Plager
Conrad A. Lauer
Paul F. Keane
Dennis A. Lupher
Jimmy D. Stephens
Thomas J. Downs
Bernard J. Helldorfer
Edward H. Bonekemper III
Frazer C. Hilder
Richard F. Sanders
Gary L. Cousins
Mauro M. Martinez
Robert C. Connolly
Kevin A. Malone
Philip G. Clifford II
Clay M. Drexler
Robert G. Bright
Robert P. Sniffen
Edward L. Ziff
Ronald R. Reaume
Michael J. Caccuitto, Jr.
Fredrick C. G. Scheer
Forrest S. Bauman
Ray A. Franseen
Douglas A. Hall
Donald E. Berquist
Terence McCabe
Ronald A. Hassell
Anthony D. Castberg
Robert M. Hopkins
Robert W. Rummell
Fentress H. Munden
Charles W. Gower
Philip J. Grossweiler
Michael T. Bohlman

IN THE AIR FORCE

Lt. Gen. Evan W. Rosencrans, U.S. Air Force, (age 54), for appointment to the grade of lieutenant general on the retired list pursuant to the provisions of title 10, United States Code, section 8962.

IN THE AIR FORCE

The following-named officer under the provisions of title 10, United States Code, section 8036, to be assigned to a position of importance and responsibility designated by the President under subsection (a) of section 8066, in grade as follows:

To be lieutenant general

Maj. Gen. Lynwood E. Clark, [redacted] FR, U.S. Air Force.

IN THE NAVY

The following-named officer of the U.S. Navy for permanent promotion to the grade of rear admiral, pursuant to title 10, United States Code, sections 5780 and 5791.

To be rear admiral

Raymond N. Winkel.

IN THE MARINE CORPS

The following officers of the Marine Corps Reserve for appointment to the grade of brigadier general under the provisions of title 10, United States Code, section 5902:

Constantine Sangalis.
William H. Gossell.

Executive nominations received by the Secretary of the Senate March 5, 1981, under authority of the order of the Senate of March 5, 1981:

DEPARTMENT OF LABOR

Thorne G. Auchter, of Florida, to be an Assistant Secretary of Labor, vice Eula Bingham.

DEPARTMENT OF TREASURY

Angela M. Buchanan, of the District of Columbia, to be Treasurer of the United States, vice Azie Taylor Morton, resigned.

OFFICE OF PERSONNEL MANAGEMENT

Donald J. Devine, of Maryland, to be Director of the Office of Personnel Management for a term of 4 years, vice Alan Keith Campbell, resigned.

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 naïveté. 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 American 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.

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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 undeserved; 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 humanitarian concern.

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, Authur 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 antipoverty 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 Congesssman 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 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 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 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 stirringly 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 introduced 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 government 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 artifically 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 cosponsoring 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 computing 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. BEILENSON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

● Mr. BEILENSON. 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 activities. 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 metagons 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 adequate.

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 aberation 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 islands 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 swifty 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 neuronomia, 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 windswept 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 Ellensberg 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 understanding 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 frangrant 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 medicaid—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 commandoes 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, Corryton, 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 [1]

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 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 missons 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

[1] 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.

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 Bulleting, 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 modernization 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. Home-buyers 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 contributing 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 homeowning 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 nonfinancial 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 distrubances, 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.●

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.[1]

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).

[1] 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 upfront 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 Chariman 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 maintanance 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 provie 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 meatpackers—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 [1] drop from signal level		Cash price change		
		Dollars	Days	1 day after signal	2 days after signal (cummulative)	5 days after signal (cummulative)
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	+.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

[1] 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.