JIM ROCKENBACH HONORED AS PRESIDENT OF THE INTERNATIONAL FIRE CHIEFS ASSOCIATION

HON. ROBERT McCLORY

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, September 18, 1979

● Mr. McCLORY. Mr. Speaker, I rise today in the U.S. House of Representatives to pay honor to my friend and distinguished constituent, Rodney (Jim) Rockenbach, the fire chief of Grayslake, Ill. (in my congressional district). Chief Rockenbach has been signally honored this year by his election as president of the International Association of Fire Chiefs.

A longtime member of the volunteer fire department of Grayslake, Jim Rockenbach became fire chief in 1954, a position he has held ever since. After his election as second vice president of the International Association of Fire Chiefs, he later became first vice president and now occupies the office of the president—the second person in the association's history to attain that office while serving as chief of a "volunteer" fire department.

Mr. Speaker, Jim Rockenbach's accomplishments include many other important civic responsibilities in the Grayslake community. He has promoted an active public education program in behalf of safety, first aid, and other emergency services to his fellow citizens.

Mr. Speaker, the community of Grayslake has organized a "Jim Rockenbach Recognition Day" which is on Sunday, September 23, 1979, with a parade of some 200 units to be followed by a formal ceremony and a dinner dance in which citizens from far and wide will participate.

Mr. Speaker, I plan to be present, along with Lake County supervisor and board member Norman Geary and the Lake County Sheriff Tom Brown to help honor Fire Chief Jim Rockenbach, and to communicate to him the greetings and good wishes which I am expressing here and to tell him that we are proud of his accomplishments. I wish Jim Rockenbach and his wife Lillian good health and happiness in the days and years ahead.●

WINDS OF CRITICISM

HON. LAMAR GUDGER

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, September 18, 1979

● Mr. GUDGER. Mr. Speaker, not all of our constituents communicate to us by means of direct mail. Many prefer the "letters to the Editor" columns of newspapers and it was by that method that I learned of the feelings of a resident of Haywood County, N.C., in my 11th Congressional District. While I do not completely concur with all of the writer's feelings, his insights are, I feel, shared by many other citizens, not all of whom live in my district.

Accordingly, I would like to share with you in this letter from Howard G. Lytle of 410 Daisey Avenue, Waynesville, N.C., published recently in the Backtalk column of the Asheville Citizen in Asheville, N.C.:

BACKTALK

The winds of criticism directed at President Carter for a supposed lack of leadership disturb me because they are largely generated by the hot air spewed forth by those who seek to blow him away to make room for the gratification of their own lust for power. I have yet to find one of his critics who has put forth any rational program for dealing with the problems of energy or inflation.

Mr. Carter must get legislation from Congress authorizing him to implement his proposals, but his congressional critics have shot down most of his energy programs, have offered no alternatives of their own, and have gone on vacation while the country suffers.

Typical of our situation was the executive of a food marketing company on the NBC news on Aug. 8. He was asked to explain why food prices at the supermarket were rising while on the farm they were falling. He said it was caused by inflation, without realizing he was the inflator and a major part of the problem.

Many people dislike Mr. Carter's leadership because it demands sacrifices and we are not willing to sacrifice, even if compensated by long-term gains later. Pogo was right. "We have met the enemy and he is us." ●

NOTICE OF INTENTION TO REQUEST A MODIFIED CLOSED RULE

HON. MORRIS K. UDALL

OF ARIZONA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, September 18, 1979

● Mr. UDALL. Mr. Speaker, I take this time to notify the Members of the House, in compliance with the rules of the Democratic Caucus, that it is my intention to request a modified closed rule on the bill (H.R. 5297) to authorize appropriations for the Nuclear Regulatory Commission.●

SENATE—*Wednesday, September 19, 1979*

(Legislative day of Thursday, June 21, 1979)

The Senate met at 9:15 a.m., on the expiration of the recess, and was called to order by Hon. HOWELL T. HEFLIN, a Senator from the State of Alabama.

PRAYER

The Chaplain, the Reverend Edward L. R. Elson, D.D., offered the following prayer:

Let us pray.

O Lord our God, author and giver of all good things, we thank Thee for Thy constant care over us. We thank Thee for the gift of life, for Thy protection round about us, for work in this place, for the strength with which to do it, and for all the tokens of Thy love. We thank Thee for friendship and duty; for good hopes and precious memories; for the joys that cheer us; and the trials that teach us to trust Thee. Most of all we thank Thee for the gift of Thy Son and His loving presence among us. May His mind be in us, and in all who serve this Government, to guide us in ways of righteousness for Thy name's sake. Amen.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

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

The assistant legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., September 19, 1979.

To the Senate:

Under the provisions of rule I, section 3, of the Standing Rules of the Senate, I hereby appoint the Honorable HOWELL T. HEFLIN, a Senator from the State of Alabama, to perform the duties of the Chair.

WARREN G. MAGNUSON,
President pro tempore.

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

RECOGNITION OF THE MAJORITY LEADER

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

THE JOURNAL

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Journal of the proceedings be approved to date.

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

TIME LIMITATION AGREEMENT—S. 109

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that at such time as S. 109, Calendar Order No. 240, a bill to require the reinstitution of procedures for the registration of certain persons under the Military Selective

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

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

Service Act, and for other purposes, is called up and made the pending business before the Senate, there be a time limitation thereon of 6 hours, equally divided between Mr. NUNN and Mr. HATFIELD, and at the expiration of that time, or upon its being yielded back, S. 109 be returned to the calendar without any action thereon.

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

The text of the agreement follows:

Ordered, That when the Senate proceeds to the consideration of S. 109 (Order No. 240), a bill to require the reinstitution of procedures for the registration of certain persons under the Military Selective Service Act, and for other purposes, time for debate on the bill shall be limited to 6 hours, to be equally divided and controlled by the Senator from Georgia (Mr. NUNN) and the Senator from Oregon (Mr. HATFIELD).

Ordered further, That at the expiration of the 6 hours on the bill, or after the time thereon has been yielded back, the bill return to the Senate Calendar without any action thereon.

ORDER FOR CONSIDERATION OF CONFERENCE REPORT ON PANAMA CANAL LEGISLATION

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that upon the disposition of the second concurrent budget resolution, the Senate proceed to the conference report on the Panama Canal legislation.

Mr. STEVENS. Reserving the right to object, is there a time agreement on that?

Mr. ROBERT C. BYRD. No.

Mr. STEVENS. There is none.

I do not object.

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

SENATE RESOLUTION 237—DIRECTING SENATE LEGAL COUNSEL TO REPRESENT A SENATE EMPLOYEE

Mr. ROBERT C. BYRD. Mr. President, I send to the desk a resolution and ask for its immediate consideration.

The ACTING PRESIDENT pro tempore. The resolution will be stated by title.

The assistant legislative clerk read as follows:

Whereas, in the case of *A. Ernest Fitzgerald* v. *Alexander P. Butterfield et al.*, (C.A. No. 74-178), pending in the United States District Court for the District of Columbia, subpoenas have been issued and served upon David Julyan, Richard Kaufman, and Ron Tammen, employees of the Senate, directing them to appear and give testimony and produce documents, papers, or records;

Whereas, Title VII of the Ethics in Government Act of 1978, Pub. L. 95-521 ("the Act"), establishes the Office of Senate Legal Counsel and provides that the Senate may direct its Counsel to represent the Senate, its committees, members, officers, or employees;

Resolved, That pursuant to Section 704(a)(2) of the Act the Senate Legal Counsel is directed to represent David Julyan, Richard Kaufman, and Ron Tammen, Senate emloyees, in respect to discovery in this case.

Mr. ROBERT C. BYRD. Mr. President, three employees of the Senate—David Julyan, Richard Kaufman, and Ron Tammen—have been subpenaed by Counsel for Richard Nixon in *Fitzgerald* v. *Butterfield, et al.*, C.A. 74-178, pending in the U.S. District Court for the District of Columbia. The subpena asks for numerous documents in the possession of these Senate employees.

Today the Senate need only resolve, pursuant to section 704(a)(2) of the Ethics in Government Act of 1978, Public Law 95-521, that the Office of Senate Legal Counsel be directed to represent these employees in the discovery stage of Fitzgerald against Butterfield. At a future date, it may be necessary to address the propriety of producing the documents in question.

The resolution (S. Res. 237) was agreed to.

The preamble was agreed to.

RECONSIDERATION OF VOTE ON SENATE RESOLUTION 236

Mr. ROBERT C. BYRD. Mr. President, I move to reconsider the vote by which Senate Resolution 236 was agreed to yesterday.

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

The motion to lay on the table was agreed to.

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

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

ORDER FOR ROUTINE MORNING BUSINESS

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that there be a brief period for the transaction of routine morning business, not to extend beyond 9:30 a.m. today, and that Senators may speak therein up to 5 minutes each.

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

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

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

The assistant legislative clerk proceeded to call the roll.

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

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

CONCLUSION OF MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Is there further morning business? If not, morning business is closed.

SECOND CONCURRENT RESOLUTION ON THE BUDGET

The ACTING PRESIDENT pro tempore. Under the previous order, the hour of 9:30 a.m. having arrived, the Senate will now resume consideration of the pending business, Senate Concurrent Resolution 36, which the clerk will state by title.

The assistant legislative clerk read as follows:

Senate Concurrent Resolution 36 revising the Congressional Budget for the U.S. Government for fiscal years 1980, 1981, and 1982.

The Senate resumed consideration of the concurrent resolution.

AMENDMENT NO. 445

The ACTING PRESIDENT pro tempore. The pending question is on amendment No. 445 by the Senator from Delaware.

AMENDMENT NO. 445, AS MODIFIED

Mr. ROTH. Mr. President, I send a modification of my amendment to the desk and ask for its immediate consideration.

The ACTING PRESIDENT pro tempore. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Delaware (Mr. ROTH) proposes a modification version of his amendment No. 445.

Mr. ROTH. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

Beginning on page 5, beginning with line 12, strike all through line 23 on page 6 and insert in lieu thereof the following:

"(a) the recommended level of Federal revenues is as follows:

"Fiscal year 1980: $500,500,000,000;

"Fiscal year 1981: $571,300,000,000;

"Fiscal year 1982: $644,800,000,000;

and the amount by which the aggregate levels of Federal revenues should be increased or decreased is as follows:

"Fiscal year 1980: —$15,000,000,000;

"Fiscal year 1981: —$32,200,000,000;

"Fiscal year 1982: —$69,100,000,000;

"(b) the appropriate level of total new budget authority is as follows:

"Fiscal year 1980: $614,500,000,000;

"Fiscal year 1981: $630,400,000,000;

"Fiscal year 1982: $734,300,000,000;

"(c) the appropriate level of total budget outlays is as follows:

"Fiscal year 1980: $527,000,000,000;

"Fiscal year 1981: $571,300,000,000;

"Fiscal year 1982: $635,500,000,000;

"(d) the amount of the deficit or surplus in the budget which is appropriate in the light of economic conditions and all other relevant factors is as follows:

"Fiscal year 1980: —$26,500,000,000;

"Fiscal year 1981: 0;

"Fiscal year 1982: +$9,300,000,000;

"(e) the appropriate level of the public debt is as follows:

"Fiscal year 1980: $887,500,000,000;

"Fiscal year 1981: $906,300,000,000;

"Fiscal year 1982: $921,800,000,000;

the amount by which the temporary statutory limit on such debt should be accordingly increased is as follows:

"Fiscal year 1980: $57,500,000,000;

"Fiscal year 1981: $76,300,000,000;

"Fiscal year 1982: $91,800,000,000."

On page 7, beginning with line 9, strike out all through line 4, page 15 and insert the following:

"(a) National Defense (050):

"Fiscal year 1980:

"(A) New budget authority, $141,200,000,000;

"(B) Outlays, $130,600,000,000.

"Fiscal year 1981:

"(A) New budget authority, $159,800,000,000;

"(B) Outlays, $145,600,000,000.

"Fiscal year 1982:

"(A) New budget authority, $180,400,000,000;

"(B) Outlays, $163,300,000,000.

"(b) International Affairs (150):
Fiscal year 1980:
"(A New budget authority, $12,000,000,000;
"(B) Outlays, $7,500,000,000.
"Fiscal year 1981:
"(A) New budget authority, $13,000,000,000;
"(B) Outlays, $7,600,000,000.
"Fiscal year 1982:
"(A) New budget authority, $14,900,000,000;
"(B) Outlays, $8,700,000,000.
"(c) General Science, Space, and Technology (250):
"Fiscal year 1980:
"(A) New budget authority, $5,500,000,000;
"(B) Outlays, $5,400,000,000.
"Fiscal year 1981:
"(A) New budget authority, $5,000,000,000;
"(B) Outlays, $5,500,000,000.
"Fiscal year 1982:
"(A) New budget authority, $5,400,000,000;
"(B) Outlays, $5,400,000,000.
"(d) Energy (270):
"Fiscal year 1980:
"(A) New budget authority, $41,000,000,000;
"(B) Outlays, $7,000,000,000.
"Fiscal year 1981:
"(A) New budget authority, $4,700,000,000;
"(B) Outlays, $7,600,000,000.
"Fiscal year 1982:
"(A) New budget authority, $24,200,000,000;
"(B) Outlays, $9,500,000,000.
"(e) Natural Resources and Environment (300):
"Fiscal year 1980:
"(A) New budget authority, $12,200,000,000;
"(B) Outlays, $11,600,000,000.
"Fiscal year 1981:
"(A) New budget authority, $13,200,000,000;
"(B) Outlays $12,500,000,000.
"Fiscal year 1982:
"(A) New budget authority, $14,100,000,000;
"(B) Outlays, $13,500,000,000.
"(f) Agriculture (350):
"Fiscal year 1980:
"(A) New budget authority, $4,900,000,000;
"(B) Outlays, $2,500,000,000.
"Fiscal year 1981:
"(A) New budget authority, $5,300,000,000;
"(B) Outlays, $2,700,000,000.
"Fiscal year 1982:
"(A) New budget authority, $3,900,000,000;
"(B) Outlays, $3,100,000,000.
"(g) Commerce and Housing Credit (370):
"Fiscal year 1980:
"(A) New budget authority, $6,800,000,000;
"(B) Outlays, $3,000,000,000.
"Fiscal year 1981:
"(A) New budget authority, $5,900,000,000;
"(B) Outlays, $3,200,000,000.
"Fiscal year 1982:
"(A) New budget authority, $6,800,000,000;
"(B) Outlays, $2,800,000,000.
"(h) Transportation (400);
"Fiscal year 1980:
"(A) New budget authority, $19,500,000,000;
"(B) Outlays, $18,600,000,000.
"Fiscal year 1981:
"(A) New budget authority, $21,200,000,000;
"(B) Outlays, $19,600,000,000.
"Fiscal year 1982:
"(A) New budget authority, $20,400,000,000;
"(B) Outlays, $20,100,000,000.
"(i) Community and Regional Development (450):
"Fiscal year 1980:
"(A) New budget authority, $8,700,000,000;
"(B) Outlays, $7,500,000,000.
"Fiscal year 1981:
"(A) New budget authority, $9,300,000,000;
"(B) Outlays, $8,300,000,000.
"Fiscal year 1982:
"(A) New budget authority, $8,900,000,000;
"(B) Outlays, $8,400,000,000.
"(j) Education, Training, Employment, and Social Services (500):
"Fiscal year 1980:
"(A) New budget authority, $26,700,000,000;
"(B) Outlays, $28,100,000,000.
"Fiscal year 1981:
"(A) New budget authority, $28,800,000,000;
"(B) Outlays, $27,700,000,000.
"Fiscal year 1982:
"(A) New budget authority, $30,300,000,000;
"(B) Outlays, $30,000,000,000.
"(k) Health (550):
"Fiscal year 1980:
"(A) New budget authority, $55,200,000,000;
"(B) Outlays, $52,800,000,000.
"Fiscal year 1981:
"(A) New budget authority, $67,700,000,000;
"(B) Outlays, $58,800,000,000.
"Fiscal year 1982:
"(A) New budget authority, $79,400,000,000;
"(B) Outlays, $65,800,000,000.
"(l) Income Security (600):
"Fiscal year 1980:
"(A) New budget authority, $210,300,000,000;
"(B) Outlays, $181,800,000,000.
"Fiscal year 1981:
"(A) New budget authority, $232,400,000,000;
"(B) Outlays, $201,500,000,000.
"Fiscal year 1982:
"(A) New budget authority, $267,900,000,000.
"(B) Outlays, $228,700,000,000.
"(m) Veterans Benefits and Services (700):
"Fiscal year 1980:
"(A) New budget authority, $21,200,000,000;
"(B) Outlays, $20,600,000,000.
"Fiscal year 1981:
"(A) New budget authority, $21,900,000,000;
"(B) Outlays, $21,400,000,000.
"Fiscal year 1982:
"(A) New budget authority, $22,800,000,000;
"(B) Outlays, $22,700,000,000.
"(n) Administration of Justice (750):
"Fiscal year 1980:
"(A) New budget authority, $3,900,000,000;
"(B) Outlays, $4,400,000,000.
"Fiscal year 1981:
"(A) New budget authority, $4,300,000,000;
"(B) Outlays, $4,400,000,000.
"Fiscal year 1982:
"(A) New budget authority, $4,500,000,000;
"(B) Outlays, $4,500,000,000.
"(o) General Government (800):
"Fiscal year 1980:
"(A) New budget authority, $4,300,000,000;
"(B) Outlays, $4,100,000,000.
"Fiscal year 1981:
"(A) New budget authority, $4,300,000,000;
"(B) Outlays, $4,200,000,000.
"Fiscal year 1982:
"(A) New budget authority, $4,500,000,000;
"(B) Outlays, $4,200,000,000.
"(p) General Purpose Fiscal Assistance (850):
"Fiscal year 1980:
"(A) New budget authority, $8,500,000,000;
"(B) Outlays, $8,500,000,000.
"Fiscal year 1981:
"(A) New budget authority, $8,200,000,000;
"(B) Outlays, $8,600,000,000.
"Fiscal year 1982:
"(A) New budget authority, $8,200,000,000;
"(B) Outlays, $8,200,000,000.
"(q) Interest (900):
"Fiscal year 1980:
"(A) New budget authority, $57,000,000,000;
"(B) Outlays, $57,000,000,000.
"(A) New budget authority, $59,000,000,000;
"(B) Outlays, $59,000,000,000.
"Fiscal year 1982:
"(A) New budget authority, $61,000,000,000;
"(B) Outlays, $61,000,000,000.
"(r) Allowances (920):
"Fiscal year 1980:
"(A) New budget authority, —$4,800,000,000;
"(B) Outlays, —$4,300,000,000.
"Fiscal year 1981:
"(A) New budget authority, —$4,800,000,000;
"(B) Outlays, —$4,300,000,000.
"Fiscal year 1982:
"(A) New budget authority, $0
"(B) Outlays, $0
"(s) Undistributed Offsetting Receipts (950):
"Fiscal year 1980:
"(A) New budget authority, —$19,700,000,000;
"(B) Outlays, —$19,700,000,000.
"Fiscal year 1981:
"(A) New budget authority, —$21,500,000,000;
"(B) Outlays, —$21,500,000,000.
"Fiscal year 1982:
"(A) New budget authority, —$23,900,000,000;
"(B) Outlays, —$23,900,000,000.".

The ACTING PRESIDENT pro tempore. Is there objection to the modification of the amendment?

Mr. ROTH. I do not think there is.

Mr. President, this is merely a correction of some of the figures based upon the defense amendment that was worked out together with the Budget Committee.

Mr. ROBERT C. BYRD. Mr. President, I do not think the Senator needs unanimous consent to modify his amendment, does he?

Mr. ROTH. No. That is correct.

Mr. President, we have not requested the yeas and nays, so I have the right to modify my amendment.

The ACTING PRESIDENT pro tempore. The Senator is correct.

Mr. ROBERT C. BYRD. Mr. President, if the Senator will yield, I might put in a quorum call with the understanding I not lose my right to the floor.

Mr. President, I ask unanimous consent that in this one instance the time on the quorum call—by the way, is time on the quorum call charged under the statute to the overall time on the resolution?

The ACTING PRESIDENT pro tempore. The Senator is correct.

Mr. ROBERT C. BYRD. The time is charged. Why is time charged on quorum calls when it is not charged on rollcalls?

The ACTING PRESIDENT pro tempore. Time for quorum calls comes out of the general time.

Mr. ROBERT C. BYRD. Why is that?

The ACTING PRESIDENT pro tempore. Whereas time used in a rollcall vote is not considered debate.

Mr. ROBERT C. BYRD. Is time for a quorum call considered debate?

The ACTING PRESIDENT pro tempore. Under the Senate precedents when the Senate is debating a measure under controlled time, the time used for a quorum call must be charged against that time.

Mr. ROBERT C. BYRD. I have to agree with the Chair.

Mr. President, I ask unanimous consent that I be permitted to enter a quorum call in this instance and that the time not be charged against anyone.

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

Mr. ROTH. I thank the majority leader.

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

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

The assistant legislative clerk proceeded to call the roll.

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

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

Mr. ROBERT C. BYRD. Mr. President, I thank the distinguished Senator for yielding for a quorum call.

Mr. ROTH. Mr. President, it is my understanding that the time taken on the quorum call and the time taken in the earlier discussion will not come out of my time.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the time begin being charged now.

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

Mr. ROTH. I thank the majority leader.

Mr. President, my amendment would restrain the growth of Federal spending enough to provide for a $24 billion tax cut in calendar year 1980. Further spending restraints are provided in calendar 1981 and 1982 to provide further tax cuts of $35 billion and $75 billion.

In fiscal year 1980 the impact of our amendment would be to provide for a tax cut of $15 billion.

By combining these tax cuts with spending restraints the fiscal 1980 deficit is reduced to roughly $26.5 billion, and I emphasize, the budget would be balanced in 1981.

Mr. President, this amendment would make this a budget of hope and of opportunity, not one of despair and disincentives. I believe that today we have the opportunity of moving this Nation in a new direction. We are at a crossroad. The question is, Does the Senate dare to lead a new direction that promises growth and opportunity, or shall we follow the same path of yesterday, one that is based upon years of big spending, high taxes and inflation?

I think it is only fair to say that the years of Keynesian theory of pumping up demand through spending have shown that it is not working. There is a growing consensus among both liberals and conservatives that more attention needs to be paid to the supply side of the economy. I know of no one who says we can afford to wait or can say that he or she is satisfied with the state of our economy.

I believe the time for action is now, not tomorrow. Make no mistake, there is going to be a tax cut of some type for 1980. The real question is whether this Congress and this Senate will have the courage to foresee that need, and to lead the way, or whether we are going to wait and merely react to what the American people are going to demand.

The economy is, sad to say, weakening, deteriorating. Unemployment is at 6 percent, and it is predicted by the White House as well as the Federal Reserve Board that by the end of 1981, the 6-percent unemployment will grow to 8.3 percent. That means that roughly 2.7 million American men and women are going to be unemployed. I regret to say that what the Carter administration seems to be saying, and what this budget seems to be saying, is that we should fight inflation with unemployment.

Mr. President, I ask Senators to look at the chart behind me. It shows that by the end of 1980 there will be a new unemployment line that will reach all the way from this Capitol here in Washington, D.C., to Plains, Ga. I do not believe that we should adopt a bankrupt policy of trying to reduce inflation through unemployment. I wonder what my liberal colleagues would have said if a Republican President or the Republican leadership had proposed that we reduce inflation through unemployment and recession.

Mr. President, I would point out the inflation rate is at 13 percent. Interest rates are at 13 percent. We just cannot afford to just continue the policies of the past. While I have the greatest respect for the leadership of the Budget Committee, I know they are saying, "Let's be steadfast; let's continue past practices." But they say the same thing every year. For example, in 1978, when we began consideration of the second concurrent resolution on the budget for 1979, the distinguished chairman of the Budget Committee said:

> This is an anti-inflationary budget. We intend it as a signal to our citizens and to the private economy that the Federal Government will lead the way towards reducing inflation without sacrificing jobs.

I submit, Mr. President, that the continuation of those policies has not had that benign effect, but that today we suffer increased unemployment, increased inflation, and high rates of interest. In addition, productivity is going down, so there is little hope for the future, under these policies.

Mr. President, the second concurrent budget resolution calls for substantially higher tax and spending levels. Compared to the first budget resolution approved by the Senate, the proposed resolution increases Federal spending by $98 billion, and increases Federal taxes by $193 billion between 1980 and 1984. I know that the Senate Budget Committee contends that the size of the Federal sector relative to the private sector has been reduced. The fact is that the spending and tax levels proposed under the second budget resolution are substantially higher than the historical spending and tax levels over the last 25 years.

Under the proposed budget resolution, Federal spending in 1980 is projected to be 21.7 percent of GNP, the same level as in 1979. The average for the last 25 years has only been 19.9 percent. So, excluding the last 4 years, the proposed fiscal spending level is higher than any other spending level over the last 25 years. And, Mr. President, the same is true with respect to the level of taxes. Over the last 25 years, taxes as a percentage of GNP have averaged 18.8 percent. The tax burden has exceeded 20 percent of the gross national product only twice in the last 25 years, during the 1969 and 1970 tax surcharge, and it has never exceeded 21 percent. Yet the budget resolution proposes to allow taxes to increase to 23.6 percent in 1980, and to 21.5 percent of GNP by 1981.

Clearly this second resolution is attempting to balance the budget by allowing the tax burden to increase to the highest level in this country's history. Federal spending programs have increased to protect Government spending programs from inflation. But I point out that the taxpayers are not protected from inflation. To the contrary, they are being penalized. Government spending is projected to increase by nearly 10 percent next year, by $47 billion.

The Carter administration is asking the wrong people to tighten their belts. Instead of imposing austerity on the American people, we should have a period of Government austerity. Unless taxes are cut, millions of Americans are going to lose their jobs. By refusing to endorse a tax cut, the administration is trying to fight inflation by adding to the unemployment lines.

Mr. President, we have two paths to follow. We can try to fight inflation by putting people out of work through an austerity program of high taxes, or we can reduce inflation by increasing productivity and real economic growth through lower taxes and less Government spending.

I would point out that if this budget resolution does not provide for a tax cut, then, in effect, the Senate is voting for increased taxes for the American people. The Budget Committee's recommendation to delay tax cuts until 1982 will cost the average family of four $926 in higher taxes. That is $393 in 1982 and $533 in 1981. The higher tax burden will reduce take-home pay, production, savings, and investment, resulting in more inflation, a deeper recession, and high unemployment.

We believe the way to reduce inflation and offset the recession is to increase productivity and real economic growth through lower taxes and less Government spending. We cannot afford to wait until millions more Americans have lost their jobs.

In closing, just let me point out, Mr. President, that there is a growing consensus in this country that we do need some new economic policies, that we need a tax cut now. This has been advocated not only by conservatives and Republicans, but by Democrats and liberals as well.

In closing, I would like to read the remarks of the chairman of the Joint Economic Committee on August 2, 1979, when he said:

This disturbing new internal forecast clearly shows that our economic problems are far worse than expected and prompts me today to stand in the Senate to urge Congress to take action to turn our economy around. Sooner or later, the coming recession will force this Congress to enact a tax cut. Our economy will be far better served if it is done sooner.

Senator BENTSEN goes on to say:

We cannot rely on the traditional response of more Government spending.

He points out that since June, he had been calling for a tax cut, and he makes that call again.

Mr. President, I think the time has come for Democrats and Republicans alike, conservatives and liberals, to work together to move this country in a new direction, to provide the incentives that will enable us to do something about savings, investment, and productivity so that we do have a budget of hope and promise, rather than one of despair and disillusionment.

I now yield to the distinguished Senator from Missouri.

Mr. DANFORTH. Mr. President, at a time of consistent and very large Federal deficits and an extraordinarily high rate of inflation—an annualized rate of inflation, according to the latest statistics, would be 14.9 percent—at first blush, it would seem that any suggested tax cut would be, by definition, inflationary. One of the problems that this amendment suffers in gaining the kind of support which I believe it deserves is the initial comment that is made, for example, in some newspaper articles and editorials, to the effect that at a time of high rate of inflation, we cannot have any tax cut. However, it is important to note that the amendment to the second budget resolution, which has been offered by the Senator from Delaware, proposes not only a $15 billion tax cut for the next fiscal year, but, in addition to that, would provide for a $19 billion reduction in Federal spending. So that, instead of increasing the deficit, this amendment would reduce the deficit by some $4 billion; therefore, quite the contrary of what was reported, for example, in the Washington Post this morning, to the effect that a lot of people are steering away from a tax cut at this time. It is possible to fashion an approach to the Federal budget which would provide both for a reduction in the deficit and a reduction in Federal taxes as compared with what the budget resolution would otherwise provide.

The basic issue, therefore, Mr. President, is not whether or not we are increasing the deficit, because we are not, by this amendment. The basic question is a very fundamental one. That is, how much money do we want in the hands of the Government and how much money do we want in the hands of the rest of the country? The theory of this amendment is that, in comparison with the second budget resolution as it now stands, Senator ROTH would propose relatively less money in the hands of the Federal Government and relatively more in the hands of the American people.

As pointed out by the Senator from Delaware, this amendment is contrary to the trends that we have been following in this country over quite some period of time. During the last 6 months, our total economy in America has been shrinking. During the last 6 months, the gross national product in the United States has declined by 1.6 percent. In recent years, the gross national product has not been on the decline, but it has, to say the least, been stunted in its development and now it has gone from a very flat level into an actual decline. At the same time that the gross national product has been flat or declining, the Federal portion of the economy—Federal taxes as a percentage of gross national product—has been on a steady increase. So, beginning in 1976, each year, Federal income taxes, as a percentage of gross national product, have been on the increase, from 18.5 percent of GNP in 1976 up to 19.7 in 1978, 20.4 in 1979, heading to 20.6 percent in 1980, and 21.5 percent estimated in fiscal year 1981. So we have had a steady increase in the portion of our economy which has been consumed by Government.

The basic position that Senator ROTH takes and that his amendment would implement is that that course for the economy is exactly wrong and that, instead of increasing Federal taxes as a percentage of gross national product and stunting the growth of the economy, we should be encouraging the growth of the economy and restraining the constant growth of the Federal Government and of Federal taxation.

Now, Mr. President, it is important to note that, regardless of whether or not this amendment is adopted, Federal taxes are going to go up next year and the year after over what they are now, no matter what we do with this amendment, because of the fact that inflation produces an extra dividend in Federal tax revenues.

It is a well-known economic fact that for every percentage point that inflation goes up, Federal tax revenues go up by a point-and-a-half. The reason for that is that inflation puts people into higher and higher tax brackets; businesses are not receiving the replacement value of equipment that they depreciate, and they are being taxed on the sale of inflated inventory. Federal tax rates go up with inflation.

In addition, next year and the year after, we have programed increases in social security taxes. In addition to that, we are going to pass some sort of windfall tax. We do not yet know exactly how much it is going to be, but according to the House bill, it would be somewhere in the nature of $100 billion over 10 years in windfall taxes. And what is often overlooked is that, as a result of decontrol of oil. Federal revenues from increased income taxes and royalties, regardless of the windfall tax, are going to go up very substantially. So, in 1980, we are going to see a total increase of Federal tax revenues from all of these sources of an estimated $23.6 billion and by 1981, an estimated increase of $64.4 billion.

Then the question that is presented by the Roth amendment is, can we reduce that increase?

Even under the Roth amendment, when we consider increased Federal revenues from all sources, less the reduction in Federal income taxes called for by the Roth amendment, even under these circumstances with the Roth amendment, total Federal taxes will go up by $8.6 billion in 1980 and by $29.4 billion in 1981.

So even if a Senator were to favor the notion, and I cannot believe anybody would say so publicly, but even if somebody were to favor the notion for some reason of increasing Federal taxation, do not worry, Federal taxation is going up with or without the Roth amendment.

But if we are going to put some brake on it, if we are to at least slow down the rapid acceleration of Federal tax revenues in real dollars and as a percentage of gross national product, we need to do something to roll back taxes.

Mr. President, clearly, it is difficult for the Budget Committee, the Congress, the executive branch, to try to reduce Federal spending by about 3½ percent, I think, which would be the result of this amendment. But I have to believe that if we gave it our attention, really put our shoulder to the wheel, we could reduce Federal spending by 3½ percent.

Yes, it is going to be difficult. Some of the programs that I have fought for in committee and on the floor of the Senate, revenue sharing, welfare reform, yes, those would suffer as a result of this amendment.

But the question, as the Senator from Delaware pointed out, is who is supposed to make the sacrifices? Why does the Federal Government continually get the free ride of the increased revenues from taxes?

If the belt is going to be tightened, why should we not do it in Government, as opposed to always asking the American people to do it?

That, basically, is the issue.

Again, Mr. President, the question is, how much money we are going to put in the hands of Government, how much money we are going to take out of the hands of the American people.

The PRESIDING OFFICER (Mr. PRYOR). Who yields time?

Mr. HATCH. Will the Senator yield?

Mr. ROTH. I yield 10 minutes to the Senator from Utah.

Mr. HATCH. I thank my friend and colleague from Delaware.

Mr. President, I would like to speak in favor of the Roth amendment and congratulate my colleague for again taking the initiative to attempt to bring some fiscal control to our Federal budget and to achieve the goal of obtaining a productivity stimulating tax cut for the American people.

The proposal that Senator ROTH places before us is a modest proposal, only reducing Federal outlays by $16.7 billion in fiscal year 1980 and revenues by $14.7 billion in fiscal year 1980. Senator ROTH's proposal would allow for a $24 billion tax cut for the American people in calendar year 1980. Figures calculated by the Joint Committee on Taxation tell

us that the American people face tax increases from increased social security taxes and from inflation pushing them into higher tax brackets of $16.2 billion in fiscal year 1980. Therefore Senator ROTH's proposal merely offsets the automatic tax increases the American people face this year and makes a little headway into offsetting the $17 billion worth of bracket creep they suffered in fiscal year 1979.

My colleagues should be very skeptical of the economic projections of the Budget Committee and the economic policies recommended by the Budget Committee. I have reviewed the history of the results the Budget Committee has projected would occur from the economic policies it has recommended in the past. I think my colleagues will be very interested in my findings.

Last year at this time, when the Senate was considering the second concurrent resolution for fiscal year 1979, the Budget Committee projected that outlays in fiscal year 1980 would be $536 billion and the revenues would be $500 billion, but indicated that there would need to be an additional stimulus of $8 billion in either tax cuts or spending to achieve the economic goals they projected. These goals, on a calendar year basis, were an inflation rate of 6.2 percent in 1980, 5.9 percent in 1981, 5.8 percent in 1982, and 5.9 percent in 1983. Real economic growth was projected to be 3.9 percent in 1980, 4.3 percent in 1981, 4.3 percent in 1982, and 4.3 percent in 1983. The Budget Committee told the Congress at that time that if we would just follow the economic policies that they were recommending we could hope to achieve these economic goals. One year later it is interesting to examine what has happened to these projections.

For the 1979–83 period, outlays have been increased by $42.9 billion and revenues have been increased by $93.2 billion. Whereas last year at this time the Budget Committee was projecting real growth of 22.6 percent over the 5-year period, they are now projecting real growth of only 17.1 percent over the period. On the other hand, while last year they were projecting inflation of 34.5 percent over the 5-year period, they are now projecting inflation of 51.6 percent over the period. In other words, what the Budget Committee is telling us is that they were wrong, that we will have significantly higher expenditures and taxes, that we will have less real economic growth, and more inflation. Obviously the economic policies of the Budget Committee are not working. They are producing a stagnating economy with lower and lower real economic growth and higher and higher rates of inflation. The Congress needs to understand why we on the Budget Committee have been so far off base in projecting the results of our economic policies.

The reason is very clear to anyone who has discussed the problem with any of the leading new voices in the economics profession. The Budget Committee bases its economic projections and its economic policy decisionmaking on the recommendations and advice of the Congressional Budget Office. The CBO's economic analysis and econometric model is based on outmoded and faulty economic assumptions.

These shortcomings are clearly discussed in a published paper entitled "The Political Economy of the Congressional Budget Office" written by two prominent economists, Dr. David Meiselman and Dr. Paul Craig Roberts. I ask that this paper be printed in the RECORD at the end of my remarks.

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

(See exhibit 1.)

Mr. HATCH. Mr. President, because of its narrow focus on the very short run, that is, 1 to 2 years, the CBO ignores the inflationary impact of many of the policies it recommends and overstates the impact of many of the policies it recommends and overstates the impact on real economic growth of its policies. Most economists agree that, while expansionary Government economic policies in the form of increased spending will stimulate output and have little effect on inflation for the first 2 years, in the longer run, the effect on real output will vanish and the impact on increasing prices will increase.

In other words, by focusing on the short run, the CBO model incorrectly advises us to follow policies that will bring about a short boost in output with little effect on inflation, but will in the longer run, after the second year, only substantially increase inflation. However, CBO never tells us about the impact these policies will have in the long-run future.

Because they are only concerned with the very short-term consequences of these economic policies, the CBO ignores the effects that the policies of letting marginal tax rates continue to rise to unprecedented high levels and letting Government spending take over a larger and larger proportion of our GNP have on individual incentives to produce, save, invest, and work. The CBO has no idea of how the economic policies it recommends, impact on the economic decisionmaking processes of individuals. This is because the CBO does not have in its model any equations which take account of the effects of Government-demand stimulus policies on the supply side of the economy.

For instance, implicit in the CBO economic analysis is the assumption that no matter how high an individual's marginal tax rate rises he will continue to put out the same work effort. Or, no matter how low the rate of return on investment and savings falls, the CBO assumes that individuals' and businesses' decisions to save and invest will not be affected. What is lacking from the CBO model is what economists call a rate of return analysis. It is changes in rates of return that affect people's incentives which influences their economic behavior. All of the new innovative work in the economics field recognizes the importance of including rate of return analyses. The CBO, however, has not kept itself up to date in the new work being done in economics.

As a matter of fact, when I talked to some of these leading innovators in the economics world, they tell me that they cannot believe that anybody takes the analysis of the Congressional Budget Office seriously. I am told that the CBO economic analysis and model are a joke throughout the economics profession. Yet we in the Congress have not faced up to this fact. The Budget Committee, despite its abysmal record of projections, has continued to rely blindly and with total faith on the CBO economic recommendations.

The CBO model is also unable to deal with changes in international trade shifts or changes in the international flow of capital, and the impacts these have on our economy, because they deal with the United States as a closed economy. Thus, any change in the international picture is considered as an outside shock which is beyond the control of the U.S. Government's economic policies.

In fact, the economic policies of our Government have a major impact on our international trade position and on international capital flows. If the Government's economic policies produce more inflation, foreign investors may lose confidence in the dollar and withdraw their investments, as they did last fall. Government tax policies may place our businesses at a disadvantage to foreign competitors who have more realistic depreciation writeoffs or lower rates of corporate tax.

The CBO cannot account for these effects and can only act surprised when there is a major shift in the international picture. But these changes do not occur in a vacuum, independent of U.S. Government policy actions, and the CBO should account for this in their model.

The CBO analysis also ignores the effects that Government economic policies have on potential GNP. Potential GNP is treated as some kind of constant, which grows in real terms by a fixed rate each year. The CBO model then analyzes the impact that different policies will have on the difference between actual and potential GNP. But potential GNP is not some unchanging constant which only grows at the same rate every year. If investment in productive new plant and equipment drops off substantially, as it has in recent years, our potential for real economic growth is permanently reduced until this investment is stimulated again.

Since Government economic policies, through their impact on expectations and rates-of-return, produce disincentives or incentives to work, produce, save, and invest, they therefore affect individuals' decisions to work, produce, save, and invest, and therefore impact on potential GNP. The CBO analysis cannot explain why countries with tax structures biased less against saving and investment can continue, year after year, to grow at rates far in excess of the real rate of economic growth experienced in the United States. One would presume that if potential GNP grows by the same percentage rate every year in the United States, it would do the same in other countries. Not so.

I am afraid that the policymakers in Government know little about econometric models and the uncertainty sur-

rounding their forecasts. Although the CBO does not bring this to our attention, the predictability of any variable in an econometric model is only accurate to a certain degree, and sometimes the standard deviation of the prediction is quite large.

Also, there may be wide deviations from the norm among the actual data used to estimate the equations in the model. However, since CBO does not adequately advise us of the uncertainty of its predictions, it biases its analysis in favor of a more expansionary and interventionist policy that the degree of uncertainty of their projections would warrant.

What the CBO and the Budget Committee also fail to tell us is that we are never presented with the pure computer analysis of an econometric model. After the data is run through the model, there are always problems and inconsistencies with results that must be corrected by subjective human adjustments. For instance, at the time of the first resolution this spring, I asked my staff to obtain the implications for real growth derived from the CBO model for the two alternative budget resolutions we were considering at that time.

Although the only difference for fiscal year 1980 in the two alternatives was a difference of $1.1 billion in outlays, the difference in real economic growth produced by the model, before human tinkering, was 0.3 percentage points. Once the red pencils were applied, the difference was determined to be only 0.1 percentage points. But this adjustment was made solely on the human judgment that it was ludicrous to believe that you could have that much of a difference in real growth from only a billion dollars difference in spending.

This human tinkering with the results of the model, plus the fact that subjective human assumptions must be made in constructing the equations in an econometric model, destroy any notion of objectivity or scientific systematicness concerning these models. The Congress should recognize that, because of the extent of this human discretion, these models are little more scientific than holding one's finger to the wind.

Perhaps one of the most significant problems in the CBO model is that it cannot distinguish between different types of tax reductions. It assumes that, for instance, a tax rebate and a reduction in income tax rates will have the same impact on the economy. However, while a tax rebate merely puts more cash back into peoples pockets and stimulates consumer spending, a tax rate reduction, while it has the same affect on demand, also increases incentives on the supply side of the economy to work more, produce more, invest more, and save more. Because reduction in the tax rates increases the after-tax rate of return on these activities, people have the incentive to do more of these activities. And these are the activities that produce real economic growth in our economy and lead to higher standards of living.

But the CBO, in its econometric model, just averages together the effects of these different types of tax cuts. However, if one examines these different types of tax cuts individually, one can see that the tax rate reduction, because it affects both the demand and supply sides of the economy, has a much greater stimulative effect than does the tax rebate approach. Thus when CBO analyzes a tax rate reduction proposal, their analysis is biased downward in regard to the stimulative effect that that tax rate reduction would have on the economy. They therefore project higher rates of inflation, lower rates of real economic growth, and greater increases in the deficit than would occur from a tax rate reduction.

And because the Congressional Budget Office believes that it is only consumer demand that drives real economic growth, their analysis is biased against savings. Again, this is a problem of their analysis being too shortsighted. In the long run, what drives economic growth is savings and investment. Without savings, we cannot buy the plant and equipment we need to expand our capital base so that we can employ more people and increase their productivity in order to increase their real standard of living. If we consume all of our resources today, there will be nothing left to build the plants and equipment of tomorrow. We may benefit ourselves modestly in the short term, but we will end up destroying ourselves in the long run.

The CBO bias against savings is another reason why they underestimate the impact the tax rate reductions would have on the economy. Because people will save some portion of any amount of money that is used for tax rate reductions, whereas if the Government used the resources it would spend the entire amount, the CBO therefore believes that tax cuts are less stimulative than spending increases. They therefore say that Government spending has a greater stimulative effect on the economy than tax cuts. This implies that the Government can more productively spend our money than individuals can spend it. I don't think too many of my constituents would accept this contention.

Because of CBO's bias against savings and tax cuts, every time the budget committee is faced with a choice between increasing Government spending or cutting taxes, the CBO economic analysis advises them that the spending increase will have greater stimulative effect on the economy than the tax cut. Therefore, we always find ourselves locked into the situation where we cannot afford to have a tax cut but we are promised that we will eventually get one 2 or 3 years down the road.

However, when we get down the road 2 or 3 years, again there is an excuse why spending has to be increased and the tax cut has to be postponed. Meanwhile, individuals keep being pushed into higher and higher marginal tax brackets by inflation, even though their real incomes are not increasing. In 1965, only 22 percent of the taxpayers found themselves in the 20 or above tax brackets, and only 2.2 percent found themselves in the 30 percent or above tax brackets. By 1975, well over half, 53 percent of the taxpayers, found themselves in the 20 percent or above tax bracket and 8.8 percent found themselves in the 30 percent or above bracket.

In just 1 year, by 1976, fully 57.5 percent of the taxpayers found themselves in the 20-percent bracket and 11 percent found themselves in the 30-percent or above tax bracket. At the same time, real disposable weekly earnings have declined for the past several years to a level lower than they were in 1965. In other words, workers have had no real increase in their disposal income since 1965, because they have moved steadily into higher and higher tax brackets.

If one looks at the average tax burden, which does not affect economic activity to the extent that marginal rates do, but which however is an important indication of the Federal Government's impact on the economy, one sees that the average tax burden has increased drastically over the past few years.

In fiscal year 1975 taxes consumed 19.3 percent of GNP. In the post-World War II period, taxes have averaged 18.6 percent of GNP. So even in fiscal year 1975 the tax burden was higher than its historical average. With this budget resolution, the Budget Committee projects that taxes will reach a 20.6 percent level GNP and will consume 21.5 percent of GNP by fiscal year 1981. This fiscal year 1981 level will be a high for the postwar period. Indeed, even during World War II, when we had to finance a massive military effort, the tax burden never exceeded 21.3 percent of GNP. And except for the 2 years of the Vietnam surtax, the postwar tax burden has never exceeded 19.5 percent of GNP before the congressional budget process began.

I think the Budget Committee proves that they are not interested in reducing taxes. I think that this is unfortunately because of the faulty economic advice and analysis they receive from the CBO. My colleagues should examine the record of economic projections the Budget Committee has associated with its economic policies, realize how far off base they have been, and do something new and innovative to reverse the trends in our economy that the Budget Committee is responsible for. They can do this by adopting the Roth amendment which will allow us to begin in fiscal year 1980 to enact permanent reductions in income tax rates which will stimulate the supply side of the economy and lead to higher economic growth in the future.

Mr. President, I support the amendment of the distinguished Senator from Delaware, and I hope my colleagues will support it. He has fought a courageous battle these last years since I have been in the Senate. I believe he deserves our support. Until we start coming around to the point where we support his particular approach, I think we will have all kinds of economic dislocations and difficulties in the country.

EXHIBIT 1

THE POLITICAL ECONOMY OF THE CONGRESSIONAL BUDGET OFFICE

(By David I. Meiselman, Virginia Polytechnic Institute and State University, and Paul Craig Roberts, the Wall Street Journal, and Hoover Institution, Stanford University)

INTRODUCTION AND SUMMARY

This study describes and analyzes the operation of the Congressional Budget Of-

fice's activities under the Congressional Budget and Impoundment Control Act of 1974. It focuses on C.B.O.'s macroeconomic analysis, which provides the basis for the fiscal policy options that are presented to the Congress. The study finds that C.B.O.'s analysis and empirical studies are seriously flawed.

In the C.B.O. analysis there is demand without supply, inflation without money, interest rates without capital, output without inputs, employment without wage rates or a labor market, and investment without saving or any change in the capital stock. Expectations are assumed to be static, and consumption is assumed to depend only on current disposable income.

Fiscal policy is seen as affecting aggregate demand with no incentive or disincentive effects on supply. The study notes an anomaly in the C.B.O.'s treatment of money. After presenting evidence that only money matters, C.B.O. proceeds to rely on a Keynesian fiscal model with no money at all. There is no attempt to reconcile the two views.

The study concludes that the new budget process has institutionalized Keynesian fiscal policy rather than budget balance as the concept of budget control. Now, deficits are rationalized in terms of scientific economic policy prior to the appropriations process. This tends to loosen rather than tighten constraints on government expenditures. But the new concept of budget control has not changed incentives, and we doubt that the C.B.O. has the power to change the incentives faced by politicians and bureaucrats in a democracy.

The analytical error that may be more critical than those inherent in the C.B.O.'s macromodel is the economist's assumption that public policy serves the public interest rather than the private interests of the policymakers.

I. THE CONGRESSIONAL BUDGET ACT

The Congressional Budget and Impoundment Control Act of 1974 established: (*a*) a new congressional budget process; (*b*) Senate and House Committees on the Budget; (*c*) a Congressional Budget Office; and (*d*) a procedure providing congressional control over the impoundment of funds by the executive branch.

The Act was deemed necessary for several reasons. At a time when the federal "budget had become the nation's principal tool for determining governmental goals and economic policy, affecting nearly every facet of American society . . . the Congress lacked a comprehensive mechanism for establishing priorities among its goals and for determining economic policy through the budget process. . . . Budget actions never explicitly decided the size of the budget, whether it should be in surplus or deficit, and precisely by what amount."[1]

Past budget reforms had enhanced and centralized budget authority in the Executive Branch, while permitting increased fragmentation of spending authority within the Congress. The concentration of financial and policymaking authority in the Office of Management and Budget had no counterpart in the Congress. The increasing use of impoundments by the Executive Branch was seen by the Congress as a direct challenge to its constitutional power to establish spending priorities.

The Congress was disturbed by its lack of control over spending. "Uncontrollables," the fastest rising part of the budget, had reached 75 percent of the total. Backdoor spending, spending outside the regular appropriation process, was more than half of all spending. With its budget actions restricted to the authority to obligate funds, the Congress had no control over actual expenditures or outlays, "resulting in little direct relationship between congressional budget actions and actual expenditures in any given year."[2]

Thus, the Act resulted from Congress desire (*a*) to explicitly relate its budget actions to its economic policy, (*b*) to restore its power to establish spending priorities, and (*c*) to gain control over spending. This is the official rationale for the Act, and, like many official rationales, it conceals the fact that different groups supported the Act in the expectation of achieving different and mutually exclusive results.[3]

A. Outline and timetable of the congressional budget process

The timetable with respect to the various stages of the new budget process is as follows:[4]

On or before: Action to be completed:

November 10, President submits current services budget.

15th day after Congress meets, President submits his budget.

March 15, Committees and joint committees submit reports to Budget Committees.

April 1, Congressional Budget Office submits report to Budget Committees.

April 15, Budget Committees report first concurrent resolution on the budget to their Houses.

May 15, Committees report bills and resolutions authorizing new budget authority.

May 15, Congress completes action on first concurrent resolution on the budget.

7th day after Labor Day, Congress completes action on bills and resolutions providing new budget authority and new spending authority.

September 15, Congress completes action on second required concurrent resolution on the budget.

September 25, Congress completes action on reconciliation bill or resolution, or both, implementing second required concurrent resolution.

October 1, Fiscal year begins.

The first budget resolution in any fiscal year sets targets. The second budget resolution establishes a floor for revenues and a ceiling on spending, both in the aggregate and for each major functional spending category.[5]

B. The budget committees

The House and Senate Budget Committees "are created to guide the Congress in the new tasks of setting national fiscal policy aggregates; that is, total spending, revenue, and debt levels."[6]

II. THE CONGRESSIONAL BUDGET OFFICE

The mission of the C.B.O. "is to provide the Congress with detailed budget information and studies of the budget impact of alternative policies"[7] so that Congress can carry out the budget process and consider the budget "in the context of the current and projected state of the national economy."[8] "The law makes clear that the C.B.O. is to have a nonpartisan, highly professional staff and that it is to provide a wide range of fiscal and budget information and analyses. C.B.O. does not make recommendations on policy matters but provides Congress with options and alternatives for its consideration."[9]

C.B.O. (*a*) provides periodic forecasts and analyses of economic trends and alternative fiscal policies; (*b*) keeps score of congressional action on individual authorization, appropriation, and revenue bills against the targets and ceilings in the concurrent budget resolutions; (*c*) develops five-year cost estimates for implementing any public bill or resolution reported by congressional committees; (*d*) provides at the beginning of each fiscal year five-year projections on the costs of continuing current federal spending and taxation policies; (*e*) provides by April 1 of each year "a fiscal policy report which includes a discussion of alternative spending and revenue levels, levels of tax expenditures under existing law, and alternative allocations among major programs and functional categories, all in the light of major national needs and their effects on balanced growth and development of the United States"; [10] and (*f*) provides additional studies. (See Appendix for statutory tasks and organizational chart, Figure 3, of C.B.O.)

A primary motive behind the formation of the C.B.O. was the Congress's desire to have its own source of budget information. The Congress's ability to work its own purposes was constrained by its dependence on information supplied by the Executive Branch.

III. MACROECONOMICS AT THE C.B.O.

This study focuses on C.B.O.'s analysis of macroeconomic conditions and forecasts and related public policy issues regarding economic stability and growth, unemployment and interest rates which attract major attention of the Congress and the public.

Although it is less than three years since C.B.O. published its first report, its publication list is already lengthy. As of May, 1978, the C.B.O. bibliography contained 166 titles, 144 separate studies, and 22 Congressional Budget Scorekeeping Reports.[11] On the basis of an unsystematic sample, we estimate that these average 70 pages, or roughly a total of 12,000 pages.

There are several main categories of published studies and reports in addition to those dealing with macroeconomic conditions and policies. Much of the C.B.O.'s work and the majority of their published studies are devoted to other budetary and public policy analyses and problems which abstract from stabilization issues. Forty-eight of the published studies are "Background Papers," which are detailed analyses of a wide range of topics, e.g., "New York City's Fiscal Problems: Its Origins, Potential Repercussions and Some Alternative Policy Responses," "Highway Assistance Programs: A Historical Perspective," and "Force Planning and Budgetary Implications of U.S. Withdrawal from Korea."

Thirty-seven of the published studies are "Budget Issue Papers" that cover topics such as "Catastrophic Health Insurance," "The Costs of Defense Manpower: Issues from 1977," and "Federal Prison Construction: Alternative Approaches." There are also 30 published Staff Working Papers and 11 Technical Analysis Papers that tend to be more technically and methodologically oriented than the other studies.

In addition to these published reports, there is extensive testimony by the C.B.O.'s Director before Congressional committees as well as various unpublished reports and communications, and unpublished studies such as the C.B.O. wage-price model.

Given the volume and the scope of the C.B.O. studies, we have limited this paper to an evaluation of the main elements in the C.B.O.'s analysis of budget aggregates and of stabilization problems and policies, in many respects the main and mandated business of the C.B.O. In the concluding section we offer some judgments concerning the impact of the C.B.O. and its outpouring of studies, reports, papers, analyses, and computer runs.

In the main, the C.B.O. analyses of stabilization prospects, problems, and policies are disappointing. The analyses ignore both the important and fundamental advances in economic science of recent years and the openness of the U.S. economy. Given the current state of economics, they can surely do much better. Instead, the C.B.O. analyses are largely derived from the relatively unsophisticated Keynesian models of the 1950s.

The C.B.O.'s treatment of money and monetary analysis are deficient. The C.B.O. has also simply ignored the questions raised by rational expectations theorists and others about the efficacy of discretionary fiscal policy and discretionary stabilization policy.

Footnotes at end of article.

In keeping with the focus on short-run stabilization, there is no long-run analysis worthy of the name. Even in the one study that claims to be an analysis of long-run issues, saving impairs economic performance and growth. Further, C.B.O. analyses generally ignore international trade and capital movements by assuming a closed economy.

The empirical and econometric work reported by C.B.O. consists mainly of estimates obtained from large-scale econometric models by adding additional numerical constraints to the many constraints found in the large-scale analyses. The results of these numerical exercises are used as the basis for C.B.O. analyses. Most of the C.B.O.'s empirical work is little more than curve fitting and casual empiricism. However, despite the emphasis on curve fitting, there is not a single statistic showing goodness of fit for the C.B.O. estimates or for those of the large-scale econometric models employed in the keystone multipliers study we survey below. C.B.O. does not report how well parameter estimates have fit past data. The presumption seems to be that the set of fitted values correctly project the future *without error*. But this presumption is never tested, because there are no comparisons of post-sample forecasts and actual events.

To be sure, much of C.B.O.'s output, especially their forecasts and their evaluations of the impact of fiscal policy on economic aggregates, is a response to Congressional mandates and inquiries. But we believe that these tasks, as well as the questions themselves, largely derive from presumptions and (*a*) compensatory fiscal and stabilization policy work; (*b*) valid, precise, and dependable answers are readily available; (*c*) economists can tell Senators and Congressmen about the implications of fiscal policy changes for prices, employment, gross national product, and the like, quarter by quarter, at least up to, and sometimes even beyond, the next election. The presumption that a valid and relatively precise analysis already exists and that only relatively minor additional efforts are required to yield a host of dependable answers biases the kinds of questions asked. The same presumptions also bias what are perceived to be policy problems workable policy instruments, and attainable solutions. For example, if tax cuts are seen as affecting only aggregate demand, there is no point in considering any connections between taxes and aggregate supply, labor force participation, and the like.

We have had thirty years of experience with the Employment Act of 1946 and its presumption that the type of model used by C.B.O. is valid and that short-run stabilization goals for employment can be achieved by the use of fiscal instruments. These presumptions follow, in part, from belief in the analytical power of adding up GNP components, the ease of forecasting and fooling markets, the efficacy of fiscal policy, essentially static anticipations, and the general absence of supply and relative price considerations. The results have been inflation, big government and more intervention without much evidence that economic stability has been increased, or unemployment reduced, by policy action.

IV. THE C.B.O.'S STABILIZATION POLICY MODEL

The most explicit statement of C.B.O.'s macroeconomic model is found in a C.B.O. study, The C.B.O. Multipliers Project: A Methodology for Analyzing the Effects of Alternative Economic Policies (1977). As this study, itself states, "the basic model presented there is in fact the one C.B.O. has used for nearly all its policy simulation work" (p. 15).[12]

Our reading of the various C.B.O. reports, especially those prepared by the C.B.O. Fiscal Policy Division and dealing with forecasts, the analysis of current economic conditions, and the implications of alternative stabilization policies, indicates that the C.B.O.'s own statement of the widespread use to which this basic model is put is substantially correct. This is why it is especially instructive to focus special attention on this one study.

However, we should point out that, for all the shortcomings of this "basic model," some of which are described below, it is an improvement over the first models used by the C.B.O., which must have raised the doubts and suspicions of both monetarists and fiscalists. These earlier models generated rather novel and somewhat bizarre results, and parts of them appear to have been abandoned since. For example, in the first C.B.O. study, *Inflation and Unemployment: A Report on the Economy* (1975), faster growth of the money supply is seen as leading to somewhat lower, not higher, prices. In addition, although effectively *raising tax rates*, by not extending the temporary tax provisions of the Tax Reduction Act of 1975 scheduled to expire at the end of 1975, was analyzed as having *no* effect on prices, an additional *tax cut* of $15 billion was analyzed as causing prices to be somewhat *lower* than they would otherwise be. (See pp. xv, xvi).

The novelty and complexity of large econometric models and their estimating techniques mean that most of the analysis used to generate the computer output is unfamiliar to the typical Senator and Congressman, and to most members of their staffs. Thus, the results must be taken on faith by policymakers, if they are taken at all. This faith is frequently shaken because, although there are many common elements in these large-scale models, they frequently yield vastly different answers, much to the embarrassment of analysts who have access to more than one model, or who have to defend one set of results against another. Because of the complexity of the models, it is frequently difficult to know why these differences exist. Moreover, these differences tend to create a lack of confidence in models as well as in the analytical orientation that they reflect.

In the C.B.O.'s own words, "The Multipliers project is an attempt to understand and deal with the diversity of results that various models may produce" (1977b, p. ix). The various models C.B.O. examines are restricted to the five large-scale econometric models of Data Resources Incorporated (D.R.I.), Wharton, Chase econometrics, MIT-Penn (MPS), and Fair. The presumption seems to be that large-scale econmetric models are essentially the only kind of analysis useful for estimating the impacts of federal tax and expenditure policies. To avoid the problem of the diversity of answers, the C.B.O. makes its own estimates of a set of "key ratios," to be discussed below. These ratios appear to be the middle-of-the-range consensus of the five models. The C.B.O.'s study includes the calculation of at least 60 different "key ratio" values for each of these five models and the C.B.O.'s Basic Multipliers Model. In all cases the C.B.O. parameter values are bracketed by the other five. Neither the original models nor the C.B.O. "key ratios" are tested.

The C.B.O. exercises clearly intend to estimate parameter values; they are not intended to test any of the large-scale models or the C.B.O. "key ratios." Not every useful empirical exercise must include a rigorous test, but unless "key ratios" or other parameters are tested (or testable), there is no way to know whether there is any validity to the exercise, and whether the Congress is being supplied with good analysis.

Differences in "key ratios" are resolved by the C.B.O. "on a basis of reasonableness, other empirical studies, and when necessary, simply averaging across models (1977b, p. x). The selected "key ratios" are called "a uniform set of procedures for calculating policy impacts" (p. ix). "Key ratios" and multipliers are presented on a quarterly seasonally adjusted basis for 10 quarters. Real variables, such as output and unemployment, are also derived from a two-equation wage-price model, which we discuss below.

In addition, the C.B.O. analysis asserts that "key ratios" and multipliers depend on initial conditions, which are likely to change from year to year. Therefore, "the analysis needs to be redone whenever there is a substantial change in initial conditions. C.B.O.'s tentative plan is to redo it once a year" (p. 2).

This raises the question of how to identify a substantial change, or how to systematically alter the "key ratios" on the basis of new information. There does not appear to be any tested basis for doing so, especially since the various interest, price, and substitution elasticities as well as the supply and labor market responses to changes in initial conditions are omitted from the analysis. Expectational considerations are omitted also.

The elasticities are a set of empirical presumptions about a limited range of nominal expenditure responses. C.B.O. claims, however, that the elasticities summarize a wide range of price and wealth responses as well as income-expenditure relationships and they are reduced-form coefficients. C.B.O. never explains or makes explicit what price and wealth responses are being summarized or what structure generates the reduced-form. Whatever the partial responses may be, they, too, are omitted, so it is difficult to derive testable implications or to test the unspecified set of structural relations that constitute the overall model.

To derive the nine *a*, *b*, and *c* coefficients for the model, simulations of the fiscal policy in five full-scale models were used. According to the C.B.O., "Each econometric model simulation yields a specific set of values for the key components that together capture the total change in G.N.P. implied by that model. The G.N.P. multiplier is an algebraic function of the coefficients of the basic model, called 'key components' of the multiplier."[13] Then, C.B.O. derived quarterly values for each of the coefficients for the first through tenth quarters. Comparisons of some of these estimated coefficients are shown below.

The Basic Multipliers Model (1977b, p. 4) is:

$$\Delta GNP\$(t) = \Delta C\$(t) + \Delta FI\$(t) + \Delta GG\$(t) + \Delta GE\$(t) + \Delta X\$(t), \quad (1)$$

$$\Delta C\$(t) = a_1 \cdot (\Delta INC\$(t) + \Delta TR\$(t) - \Delta TP\$(t)), \quad (2)$$

$$\Delta INC\$(t) = b_1 \cdot \Delta GNP\$(t) + c^1 \cdot \Delta GE\$(t), \quad (3)$$

$$\Delta TR\$(t) = -b_2 \cdot \Delta GNP\$(t) - c_2 \cdot \Delta GE\$(t) + \Delta TRO\$(t), \quad (4)$$

$$\Delta TP\$(t) = b_3 \cdot \Delta INC\$(t) - c_3 \cdot \Delta GE\$(t) + \Delta TPO\$(t), \quad (5)$$

$$\Delta FI\$(t) = a_2 \cdot \Delta GNP\$(t) - \Delta GE\$(t)], \quad (6)$$

$$\Delta X\$(t) = a_3 \cdot \Delta GNP\$(t) + \Delta XO\$(t), \quad (7)$$

where

GNP$= Gross national product,
C$= Consumption,
FI$= Fixed investment (business and residential),
GG$= Federal Government purchases except public employment,
*GE$*= Public employment spending net of displacement, Federal and State and local (displaced funds used for tax reduction or general State and local spending enter as TP$ or GG$),
*X$*= Rest of GNP$: inventory investment, net exports, State and local spending other than public service employment,
INC$= Wages and s laries and other labor income and nonwage income,
TR$= Federal transfer payments,
TP$= Federal personal tax revenues (including employee payroll taxes),
TRO$= Intercept, transfer payments,
TPO$= Intercept, personal tax revenues,
XO$= Intercept, other spending,
t= Time, in quarters.

All variables are in current dollars.

Note that the model has two main equations. There is a simple consumption function; current personal consumption expenditures per quarter is a linear function of disposable personal income. Fixed investment is a function of GNP less net public employment spending. The investment function is

Footnotes at end of article.

little more than a simple accelerator modified to exclude public employment expenditures from GNP. This equation implies that public employment expenditures reduce investment. The other equations are either identities, or equations that deal with the residuals, or predetermined variables, as in the case of federal government expenditures.

The model has a limited range of implications. It will not provide answers (implications) for many important questions. The model is mute about the effects of changes in relative prices or in the tax structure. (The same is generally true to the large-scale models.) For example, when the Multipliers Project tried to analyze the GNP implications of a change in the corporate profits tax, it correctly noted (p. 20), "The basic multipliers model does not include dividends, corporate cash flow, or the corporate tax rate as separate determinants of consumption and investment spending and, therefore, cannot account for the effect of change in corporate taxes on spending." (The same general problems also hold for the analysis of money.) To deal with these deficiencies, the study adds several other variables. But, it simply ignores the impact of a change in corporate profits taxes on the cost of capital or the effect of a differential tax cut on expenditure patterns or on relative rates of return.

The quarterly values of the marginal propensity to consume, a_1, in the Basic Multipliers Model are close to the average marginal propensity to consume out of current disposable income for the five large-scale econometric models. These are shown in Table 1, taken directly from the C.B.O. study (p. 6). Model 1 is from D.R.I.; Model 2, Wharton; Model 3, Chase; Model 4, MIT-Penn (MPS); and Model 5, Fair. The parameter values for the five models were derived by simulating a change in federal government expenditures, holding the path of unborrowed reserves constant. As the C.B.O. notes, "Selecting unborrowed reserve implies that both interest rates and the money supply rise moderately in response to an expansionary fiscal move" (p. 6). The C.B.O.'s study does not attempt to distinguish between the monetary effects of fiscal policy and the corresponding changes in prices, interest rates, and the like stemming from the change in the stock of money and, on the other hand, the purely fiscal policy effects of changes in government expenditures or taxes when the money stock is held constant.

TABLE 1

[Quarterly values of a_1]

Quarter	Models 1	2	3	4	5	Basic multipliers model
1	0.41	0.26	0.55	0.25	0.68	0.35
2	.63	.26	.47	.37	.80	.45
3	.68	.28	.56	.44	.95	.51
4	.71	.30	.65	.51	.97	.55
5	.73	.39	.68	.58	1.02	.60
6	.73	.49	.67	.62	.96	.62
7	.73	.69	.69	.65	.97	.67
8	.71	.83	.70	.70	.98	.70
9	.71	.75	.70	.72	.95	.71
10	.71	.67	.70	.76	.90	.71

The quarterly values of a_2 in Table 2 are copied from the C.B.O. paper's Table 4 (p. 10). These values are for a sustained shift in one of the disturbances, not a once-for-all increase in the level of, say, government expenditures in a given quarter followed by a decrease the subsequent quarter. Again, the C.B.O. "basic multipliers" are near the middle of the range of estimates.

TABLE 2

[Quarterly values of a_2]

Quarter	Models 1	2	3	4	5	Basic multipliers model
1	0.02	0.07	0.03	0.04	0.08	0.06
2	.03	.12	.05	.10	.14	.11
3	.04	.18	.07	.14	.17	.17
4	.05	.21	.09	.16	.21	.19
5	.06	.22	.08	.18	.22	.20
6	.06	.23	.06	.18	.25	.20
7	.05	.23	.04	.18	.24	.19
8	.05	.22	.03	.17	.24	.18
9	.03	.16	.01	.16	.24	.16
10	.03	.06	.01	.16	.24	.14

The seven equations are combined to yield the following multiplier expression for analyzing fiscal policy disturbances. C.B.O. (p. 12) summarizes the fiscal multiplier as follows:

The Fiscal Multiplier Formula

The seven equations listed in the basic multipliers model can be combined through simple algebra to yield the following multiplier expression for standard changes in fiscal policy:

$$\Delta GNP\$(t) = \left[\frac{1}{[1-(a_{1t}(b_{1t}(1-b_{2t})-b_{2t})+a_{2t}+a_{3t})]}\right]\times [\Delta GG\$(t)+\Delta XO\$(t)+a_{1t}[\Delta TRO\$(t) -\Delta TPO\$(t)]+[1+a_{1t}(c_{1t}(1-b_{2t})-c_{2t}+c_{3t}) -a_{2t}]\Delta GE\$(t)]. \quad (8)$$

The first expression on the right-hand side of the equation is the mutilplier for changes in government purchases other than public employment programs. It depends on six of the parameters of the model, namely:

- a_1, the ratio of a change in consumption to a change in disposable income
- a_2, the ratio of a change in investment to a change in GNP
- a_3, the ratio of a change in "other GNP" to a change in GNP
- b_1, the fraction of a change in GNP going into wages and salaries and other labor income and nonwage income
- b_2, the fraction of a change in GNP serving to reduce transfer payments
- b_3, the fraction of a change in wages and salaries and other labor income and nonwage income going into personal tax payments

The GNP multiplier derived from the Basic Multipliers Model, which is shown in C.B.O. Table 6 (p. 14), is reproduced here as Table 3. Note that the implied balanced budget multipliers, the difference between the federal government expenditure multiplier and the federal tax multiplier, are always below unity. They range from 0.70 in quarter 1 up to 0.98 in quarter 6, and decline to 0.87 in quarter 12.

TABLE 3.—CHANGE IN GNP RESULTING FROM A PERMANENT INCREMENT IN POLICY INSTRUMENT

[In billions of current dollars for each billion dollar permanent increment]

Quarter	Federal Government purchases of goods	Public service employment	Federal taxes or transfers (with opposite sign)
1	1.10	1.15	−0.40
2	1.42	1.34	−.63
3	1.79	1.57	−1.09
4			
5	2.00	1.66	−1.07
6	2.22	1.78	−1.27
7	2.41	1.90	−1.43
8	2.62	2.04	−1.64
9	2.71	2.12	−1.77
10	2.66	2.01	−1.74
11	2.53	1.96	−1.64
12	2.44	1.89	−1.57
	2.44	1.89	−1.57

1. THE C.B.O. MULTIPLIERS MODEL AND MONETARY POLICY

Fiscal policy simulations discussed above assume constant paths of unborrowed reserves. The C.B.O. multipliers model does not ignore monetary policy. Monetary policy is identified as the path of "unborrowed" reserves. Because borrowed reserves have generally been small in recent years, the C.B.O.'s indicator of monetary policy is close to total reserves for recent observations. In other years, however, changes in borrowed reserves were important sources of change in the base and in the money supply, so parameters estimated using data for earlier periods may be inappropriate to the current period. In addition, unborrowed reserves may also be a poor proxy for the money stock because of changes in currency and the variablity of the currency-deposit and of the currency-base ratios, thus making for additional instability in the relationship of unborrowed reserves to the monetary base and money. Also, changes in the money multiplier and money, result from reserve requirement changes. These factors are an additional source of discrepancies between unborrowed reserves and money.

Because Concurrent Resolution 133 requiring the Federal Reserve to present money supply targets was adopted by the Congress over two years ago, it is surprising that the C.B.O. still uses the unborrowed reserve concept. (The Open Market Committee directives do not.) Although the Federal Reserve may have problems because its targets are inconsistent, the set of inconsistent targets is essentially made up of the money supply and interest rates; it excluded unborrowed reserves.

The five large-scale models have even more diverse responses to monetary policy than to fiscal policy. Table 4 shows the simulation results of a $1 billion step increase in unborrowed reserves on the Treasury Bill rate (in percentage points) and nominal GNP (in billions of dollars). Note the standard Keynesian results. Expansionary monetary policy lowers interest rates; the initial decline in rates is later moderated by the effect of rising income on the transactions demand for money. Four of the five models also show long lagged effects of changes in unborrowed reserves on GNP. Note also the very wide range of simulation results for both interest rates and nominal GNP. Chase, Model 3, shows almost no GNP impact of the change in unborrowed reserves; Wharton, Model 2, shows only a small change; the others appear to have substantially larger GNP changes. The C.B.O. makes no attempt to reconcile the differences.

TABLE 4.—CHANGES IN 3-MO TREASURY BILL RATE AND GNP DOLLARS IN T-1 RESULTING FROM A STEP INCREASE OF $1 BILLION RESERVES

Quarter	Model 1 Rate	Model 1 GNP	Model 2 Rate	Model 2 GNP	Model 3 Rate	Model 3 GNP	Model 4 Rate	Model 4 GNP	Model 5 Rate	Model 5 GNP
1	−0.98	3.4	−0.60	0.3	−0.13	0	−0.6	0.5	−1.26	0.1
2	−1.05	5.4	−.42	.9	−.13	2.5	−.8	1.8	−1.24	3.7
3	−1.08	13.3	−.45	1.9	−.12	4.8	−.8	4.2	−.97	6.8
4	−1.05	19.8	−.45	3.3	−.12	4.9	−.8	7.4	−.97	10.0
5	−.96	25.5	−.44	5.0	−.11	5.5	−.7	11.4	−.83	14.2
6	−.83	30.0	−.42	6.9	−.09	4.2	−.7	15.8	−.65	16.4
7	−.73	33.2	−.39	9.4	−.08	4.2	−.6	20.9	−.54	20.8
8	−.61	34.8	−.35	12.5	−.08	4.3	−.5	26.9	−.33	24.9
9	−.51	35.2	−.33	13.7	−.09	4.1	−.5	33.6	−.29	28.2
10	−.45	34.2	−.32	13.0	−.10	3.7	−.4	40.9	−.17	31.3

In the C.B.O. treatment of monetary policy, unborrowed reserves is added as an additional variable in three of the seven equations of the C.B.O. basic multipliers. This model is modified to include unborrowed reserves in three of the equations by simply adding unborrowed reserves as an additional variable. The three equations are the consumption function (equation 2), the fixed investment function (equation 6), and the residual "rest of GNP" (equation 7). The equations become

$$\Delta C\$(t)=a_{1\,t}(\Delta INC\$(t)+\Delta TR\$(t)-\Delta TP\$(t)) + d_{1\,t}\Delta RU\$(t), \quad (2)'$$

$$\Delta FI\$(t)=a_{2\,t}\Delta GNP\$(t)+d_{2\,t}\Delta RU\$(t), \quad (6)'$$

$$\Delta X\$(t)=a_{3\,t}\Delta GNP\$(t)+\Delta XO\$(t)+d_{3\,t}\Delta RU\$(t), \quad (7)'$$

where $RU\$$=unborrowed reserves.

The parameters d_1, d_2, and d_3 evaluate the impact of the change in unborrowed reserves on personal consumption expenditures, fixed investment expenditures, and "rest of GNP," respectively. The coefficients portray what is expected to happen to each of three GNP components as a direct result of changes in unborrowed reserves. Analogous to the usual Keynesian formulation of specific income effects on particular classes of expenditures, there are assumed to be separate dependable relations between changes in unborrowed reserves and consumption, fixed investment, etc.

To derive the formal unborrowed reserves GNP multipliers, equations (2)', (6)', and (7)' are substituted into the basic multipliers model, yielding

$$\Delta GNP\$(t)=\frac{[(d_1+d_2+d_3)\Delta RU\$(t)]}{[1-(a_{1t}(b_{1t}(1-b_{3t})-b_{2t})+a_{2t}+a_{3t})]}$$
$$+[\text{fiscal multiplier}]$$
$$\times[\text{fiscal policy variable}].$$

The denominator is the same as the denominator of a simple government purchases multiplier, and the numerator shows the total *direct* GNP increment stemming from a change in unborrowed reserves.

This approach permits the C.B.O. Basic Multipliers Model to include monetary policy without changing the format of the basic set of equations. Again, the model presumes that only the simple Keynesian framework and transmission mechanism are valid. It rules out the possibility that the dependable link is between the nominal stock of money, or even unborrowed reserves, and aggregate nominal GNP, and that relative prices largely determine resource allocation and the components of GNP. It rules out the alternative, and widely-held view that, for a given stock of money, changes in supplies of and demands for particular components of GNP change relative prices and resource allocation but leave aggregate nominal income fixed, so that changes in the demand for any class of expenditures tend to alter or crowd out some others. The link between nominal money and nominal GNP may be a dependable one even if the connections between money and any one specific component of GNP are weak. Indeed, the evidence would seem to be consistent with this alternative view.

The weak relationship between changes in the stock of money and any given class of expenditures can explain the unusual range of estimated values of d_1, d_2, and d_3, in the five large-scale models summarized in C.B.O.'s Table 8, reproduced as Table 5 here. C.B.O. simply takes the means of the five large-scale models as the appropriate estimate for its model.

The structure that generates these results is a standard Keynesian or Hicksian IS–LM model (p. 17). The supply and demand for money depend on income and the rate of interest. The rate of interest is determined when the quantity of money demanded equals the stock of money. Thus, the chain of causation goes from an increase in unborrowed reserves, the proxy for money, leading to lower interest rates, and thereby to more investment, and, by the multiplier process, to higher GNP. In turn, higher GNP increases the transactions demand for money, moderating the initial decline in interest rates. In this model more money, or more unborrowed reserves, cannot cause interest rates to rise above their initial level. There are no effects of inflation expectations on interest rates, no distinction between real and nominal interest rates, and no changes in real interest rates resulting from changes in the productivity of capital stemming from changes in capital-labor ratios.[14] It is distressing that, despite the overwhelming evidence supporting at least the general outline of the Fisherian distinction between real and nominal interest rates and the widespread acceptance of the general Fisherian analysis of the effects of inflation on interest rates, the C.B.O. continues to ignore the distinction.

TABLE 5

[Quarterly values of d_1, d_2, d_3, and b_1]

Quarter/parameter	d_1			d_2			d_3			b_1		
	Multipliers model	Range provided by econometric models		Multipliers model	Range provided by econometric models		Multipliers model	Range provided by econometric models		Multipliers model	Range provided by econometric models	
		Low	High		Low	High		Low	High		Low	High
1	0.17	0.03	0.74	0.33	0	1.18	0	−0.33	1.41	0.36	−0.96	0.68
2	.82	1.06	2.81	1.11	.87	2.84	.15	−.84	.80	.51	0	.70
3	.54	.28	3.38	1.95	1.49	4.40	.55	−.43	1.31	.53	.05	.70
4	1.05	.55	4.48	2.73	1.43	6.00	.87	−.26	2.85	.60	.15	.72
5	1.30	.76	5.97	3.42	1.15	7.50	1.20	−.24	4.02	.62	.24	.74
6	1.70	1.01	6.76	4.18	1.15	9.23	1.26	−.33	4.90	.68	.26	.74
7	2.05	1.05	7.74	4.83	.86	10.54	1.53	−.12	5.47	.70	.26	.76
8	2.38	1.04	8.98	5.56	.62	12.11	1.79	.03	5.83	.70	.26	.77
9	2.64	1.20	9.67	6.01	.37	12.95	2.17	.07	6.46	.71	.28	.78
10	2.85	1.25	10.48	6.43	.32	13.42	2.26	.04	6.26	.73	.29	.78
11	3.00			6.60			2.45			.73		
12	3.00			6.60			2.45			.73		

Despite the C.B.O.'s flawed monetary analysis, the economy is very responsive to monetary policy in the C.B.O. model. According to their Table 9 (p. 20), shown below as Table 6, a $1-billion increase in unborrowed reserves leads to an increase in nominal GNP of close to $9 billion after 4 quarters, an increase in nominal GNP of close to $24 billion after 8 quarters, and $26 billion after 12 quarters. These multipliers are 9 to 10 times greater than the federal government expenditure multipliers and from 13 to 16 times greater than the federal tax or transfer multipliers shown in Table 6. Given the far greater ease, neutrality, and reversibility of altering unborrowed reserves compared to varying federal government expenditures or taxes, it would seem that the C.B.O. estimates are, themselves, compelling arguments for the importance of monetary policy and for placing greater reliance on monetary management in stabilization policy, even given the discretionary stabilization policy the C.B.O. appears to favor. It also suggests that giving monetary policy a minor role in the C.B.O.'s forecasts, analyses, and policy evaluations has the effect of removing a central actor from the stabilization and inflation dramas.

TABLE 6.—*Changes in GNP resulting from a permanent increment in unborrowed reserves: in billions of current dollars for each billion dollar permanent increment*

Quarter:	*Multiplier*
1	1.00
2	2.86
3	5.12
4	8.77
5	12.10
6	16.17
7	20.29
8	23.80
9	24.83
10	24.88
11	26.15
12	26.15

Despite the sensitivity of GNP to changes in unborrowed reserves in the C.B.O. model, the model appears to understate the responsiveness of GNP to changes in unborrowed reserves. The reason for the understatement is that, as the C.B.O. itself states (p. 18), "A step increase in unborrowed reserves above a baseline path lowers the velocity of money relative to its baseline path." This holds true even three years after the expansion of unborrowed reserves.

In contrast, the evidence on the connections between money and GNP over many business cycles indicates that more money causes velocity to rise, not fall.[15] Thus, GNP is far more sensitive to monetary change than even the C.B.O. results indicate.

For a rough evaluation of the unborrowed reserves-GNP multiplier, consider that in December 1977, M1, was $335 billion, 8.4 times as large as the $39.9 billion reserves of all commercial banks. Income velocity of M1 was approximately 5.8. Thus, the ratio of reserves to GNP was 1:48.7. Because borrowed reserves were close to zero, close to the same figure also holds for the ratio of unborrowed reserves to GNP. This is somewhat more than double the C.B.O.'s unborrowed reserves-GNP multiplier of 23.80 after 8 quarters and almost twice the unborrowed reserves–GNP multiplier of 26.15 after 12 quarters.

The C.B.O. results reflect the decline of income velocity in the C.B.O. model. GNP is sensitive to unborrowed reserves. However, given the currency-deposit ratio, variations in which would be relatively minor over the short span considered in this exercise, the marginal income velocity of new unborrowed

Footnotes at end of article.

reserves would seem to be only half of the average. This is the strange and startling result noted by the C.B.O. in their study.

The inconsistency with the evidence does not seem to trouble the C.B.O., perhaps because of the absence of hypothesis testing already noted. Despite the evidence that, during the short spans of time characteristic of major business cycle phases, M and V generally tend to move together, the C.B.O. analyzes the economy using a model that denies this established result. If the C.B.O. had tested the interest rate and velocity implications of its model, the model would have been contradicted by the evidence and rejected. But no tests were run, and, as elsewhere, there was curve fitting by simulation with no analysis of goodness of fit.

VI. REAL OUTPUT AND UNEMPLOYMENT

The C.B.O. Multipliers Model is specified in nominal values. To separate output and price level effects of a change in nominal GNP, C.B.O. depends on a two-equation wage-price model that incorporates a number of constrained or assumed empirical relations. The model is presented in A Simplified Wage-Price Model, an unpublished but readily available paper.[16] The procedure consists of simultaneously estimating wages and prices, largely on the basis of a set of highly constrained and mechanical autoregressive relations. The study claims that the procedure yields a set of consistent and valid solutions for nominal GNP (from the Multipliers Project), wages, prices, real GNP, and unemployment.

The wage equation is

$$\dot{W}_t = a_0 - a_1 \log U_t + \sum_{i=0}^{4} b_i \dot{P}_{t-i}),$$

where $\dot{W}_t$ is the percent change in an average wage rate in year t, U_t is the overall civilian unemployment rate, in year t, and $\dot{P}_{t-i}$ is the percent change in the consumer price index in year $t-i$.

As the study notes,

A lot of controversy has centered on the strength of the influence of past price changes on wage changes, measured in equation (1) by the sum of the b_i's. Rather than attempting to resolve this controversy, C.B.O. has made two alternative assumptions about the sum of the b_i's and used the results as two alternative forms of the model. One assumption—an 'accelerationist' variant—is that the sum is 1.0. The other assumption—a 'long-run Phillips curve' variant—is that the sum is 0.7. In neither variant are past price changes ignored, as was the case in much economic analysis of twenty years ago. The difference between the two is the difference between a 70 percent and a 100 percent reflection of past inflation in current wage settlements. (p. 2)

Since the only alternative values for the sum of the b_i's are assumed ones of 0.7 and 1.0, the solution is constrained by these assumptions. Apparently no attempt was made to generate an unconstrained estimate of the lagged relationship between wages and prices. Note also that these values are relevant only to long-run equilibrium solutions, not the short periods typically covered in C.B.O. analyses and in the Multipliers Project. Moreover, despite widespread evidence of major changes in the association between the inflation rate and unemployment rate since the 1950s (including the evidence that the traditional Phillips curve has a positive slope in recent years),[17] the C.B.O. procedure precludes these outcomes.

There is also no recognition in the C.B.O. wage-price study of the large and growing problems in the measurement and interpretation of unemployment statistics and potential GNP. More than usual measurement error may result from taking these data at face value.[18] The same considerations also raise serious questions about the immutability and dependability of Okun's law.

The price equation of the model relates annual price changes to this year's and last year's wage changes as well as to changes in the prices of foods and fuel. The price equation is:

$$\dot{P}_t = c_0 + c_1 \dot{W}_t + c_2 \dot{W}_{t-1} + c_3 \dot{Fm}_t + c_4 \dot{Fu}_t,$$

where P_t is the percent change in the consumer price index in year t, W_t and W_{t-1} are percent changes in an average wage rate in years t and t-1, and Fm_t and Fu_t are percent changes in wholesale farm prices (Fm) and wholesale fuel prices (Fu) in year t.

The price equation was also estimated subject to another constraint, i.e., that the two wage changes coefficients, c_1 and c_2, sum to 0.9. Further, as the C.B.O. (1975c, p. 3) notes, the price equation "does not include any representation of cyclical changes in productivity, of order backlogs and capacity constraints, or of price controls. Detailed representation of these influences would greatly complicate the model."

Experiments are performed using dummy variables to capture the effect of imposing and removing price controls. The dummy variables for price controls are 1 for 1971 and 1972, 0 for 1973, and −1 for 1974. The solution is constrained by the C.B.O. assumption that imposing and removing price controls have equal and opposite effects. There is no evidence presented or cited for this presumption of fact. Productivity changes or capacity bottlenecks are seen as captured by the change in the logarithm of the unemployment rate. Productivity changes have no direct link to wages. There is also no justification given for singling out food and fuel prices for special treatment.

More constraints were added on the price coefficients of the wage equation and on the wage coefficients of the price equation. Still more constraints were added when the effect of lagged prices was estimated by "the Almon distributed-lag method with coefficients assumed to lie along a third-degree polynomial crossing the origin at the distant end" (p. 5). Another constraint takes the form of a correction of autocorrelated residuals in the price equation. The mechanical adjustment used to make the correction is no substitute for a missing variable or an incorrectly specified functional form that may be the cause of the autocorrelated residuals. The claims of the C.B.O. study that these constraints make the danger of simultaneous equations bias quite small (p. 5) are therefore questionable, especially since it is not at all clear that these constraints and mechanical corrections are correct or appropriate.

Because of these and other constraints and omissions, we have little confidence in the results. Further, other evidence[19] contradicts some of the constraints the C.B.O. imposes on the data. It may have been better, at least it would have been more candid, if numerical values had simply been explicitly assigned to the parameters. Moreover, because many of the results are highly sensitive to small changes in coefficients, for example, equations 3 and 4 (p. 7) which attempt to estimate the long-run relationship between inflation and unemployment, it is important that estimates be properly done.

Finally, we do not see any economics behind these numerical exercises. Surely, there is more to unemployment and inflation than inertia.

VII. THE C.B.O.'S ECONOMIC FORECASTS

Economic forecasts are a mandated task of the Congressional Budget Office. Not only are C.B.O. forecasts presented as part of the general concern about future events, but the forecasts are an important and integral part of C.B.O.'s analysis of the consequences of alternative public policies.

C.B.O. forecasts are presented in their semiannual reports devoted to analyses of current economic conditions. The reports appear early in the calendar year and at midyear. The first C.B.O. forecast is found in Inflation and Unemployment: A Report on the Economy, C.B.O.'s initial publication.[20] Since then, forecasts of periods up to two years ahead have been presented at intervals of approximately six months.

How good are the C.B.O. forecasts? To evaluate the C.B.O. forecasts, we have compared their accuracy with that of other widely cited forecasts analyzed in various studies by Stephen K. McNees of the Federal Reserve Bank of Boston. Because the C.B.O. has been in operation only a few years, it is not possible to do extensive comparative tests. However, several comparisons can be made. They indicate that C.B.O. forecasts are less accurate than other available forecasts.

First, consider the relative accuracy of C.B.O.'s first three forecasts made from mid-1975 to early 1976, covering 1976. The first forecast was published June 30, 1975,[21] the second on September 17, 1975.[22] The third forecast was published March 15, 1976,[23] two and a half months into 1976, a factor which did not improve the accuracy of the forecast relative to the earlier two. The C.B.O. forecasts and the range of forecasts assembled by McNees are presented in Table 6, which also includes the figures for the actual results. The specific high, median, and low forecasters are not identified, but the C.B.O. forecasts are drawn from forecasts made by five widely known forecasters, The Bureau of Economic Analysis of the U.S. Department of Commerce; Chase Econometrics Associates, Inc.; Data Resources, Inc.; Wharton Econometrics Forecasting Associates, Inc.; and the median forecast from the Economic Research survey by the American Statistical Association and the National Bureau of Economic Research. Three of the five, Chase, D.R.I., and Wharton, also provide three of the five large-scale models the C.B.O. used in their Multipliers Project. Because C.B.O. forecasts are presented as ranges without any statement about probabilities within the forecast range, we merely took the midpoint of the range as the point forecast for purposes of comparability.

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TABLE 6.—FORECAST AND ACTUAL CHANGES, 1975_{IV}–1976_{IV}

Growth rate (percentage points)	Five forecasts [1]			CBO (midpoint of range)			Actual
	High	Median	Low	June 30, 1975	Sept. 17, 1975	Mar. 15, 1976	
Real GNP	5.7	5.4	5.2	5.5	6.0	6.25	5.0
GNP deflator	6.2	5.9	5.0	7.5	6.75	5.75	4.6
GNP	11.9	11.7	10.7	13.3	13.0	12.15	9.8
Unemployment rate [2]	7.8	7.3	7.2	8.0	7.25	7.25	7.9

TABLE 6.—FORECAST AND ACTUAL CHANGES, 1975IV–1976IV—Continued

Growth rate (percentage points)	Five forecasts [1]			CBO (midpoint of range)			Actual
	High	Median	Low	June 30, 1975	Sept. 17, 1975	Mar. 15, 1976	
				Range			
Real GNP				5.0–6.0	5.0–7.0	5.5–7.0	5.0
GNP deflator				6.5–8.5	6.0–7.5	5.0–6.5	4.6
GNP				12.6–14.0	11.5–14.5	11.5–12.8	9.8
Unemployment rate [2]				7.8–8.2	6.9–7.6	7.0–7.5	7.9

[1] McNees (July/August 1976, table IX, p. 11).
[2] Level in final quarter.

Consider the C.B.O. September 17, 1975 forecast for changes in real GNP, the GNP deflator, and nominal GNP from fourth quarter, 1975, to fourth quarter, 1976, and for the fourth quarter, 1976 level of the unemployment rate. The March 15, 1976 forecast was almost a quarter into the forecast period, and the June 30, 1975 forecast was made earlier in the year than the other forecasts.

The C.B.O. forecasts do very poorly in these comparisons. For real GNP, the GNP deflator, and nominal GNP, the C.B.O. forecast has the largest error. For the unemployment rate, the C.B.O.'s first forecast is best. The later forecasts are close to the median.

The forecast range is also shown in Table 6. The actual GNP deflator, nominal GNP, and the unemployment rate fall outside the range, and real GNP is at the end-point of the range. Simply taking the median of the otherwise available forecasts would be an improvement over the C.B.O.'s own forecasting effort.

The earlier June 30, 1975 forecast for real GNP was closer to the actual figure than the later two forecasts, but the other three forecast values involved greater forecast errors. The March 15, 1976 forecast values are somewhat closer to the actual figures for the GNP deflator and for nominal GNP, but even here they are worse than the poorest of the other forecasts. For real GNP, the forecasting error actually increased.

We also compared the same three C.B.O. forecasts for 1976 with eight forecasts surveyed in another McNees study.[24] The eight forecasts include those of the Council of Economic Advisers and seven private forecasters. These are the median forecasts of the survey by the American Statistical Association and the National Bureau of Economic Research and those issued by Chase Econometric Associates, Inc.; Data Resources, Inc.; the MAPCAST group at the General Electric Company; Irwin L. Kellner, of Manufacturers Hanover Trust; RSQE forecasting service at the University of Michigan; and Wharton Econometric Forecasting Associates, Inc.

The mean of the absolute errors made by the eight forecasters is shown in Table 7 for the growth rates of real GNP, nominal GNP, and the implicit GNP deflator, and for the change in the unemployment rate. Forecasting errors of each of the C.B.O. forecasts are also shown in Table 7. In Table 8, the errors of the three C.B.O. forecasts and the C.B.O.'s mean error for each variable are compared with the mean errors of the eight other forecasts. Again, it turns out that the C.B.O. forecasts are generally less accurate than other available forecasts.

In each of the three C.B.O. forecasts, there is at least one variable with a smaller forecast error. However, the specific variable differs each time. For example, the June 30, 1975 forecast for nominal GNP was more accurate than the mean forecast, but the September 17, 1975 forecast was more accurate for real GNP. The same is true for the accuracy of the March 15, 1975 forecasts for the GNP deflator and for the unemployment rate. Thus, there is no variable that C.B.O. consistently forecasts better than the eight forecasters. Overall, the C.B.O. forecasts for 1976 were poorer than the eight in the McNees tabulation, so there was nothing gained by using C.B.O. forecasts rather than those otherwise available.

TABLE 7.—1976 FORECAST ERRORS, ABSOLUTE PERCENT ERROR FOR 8 FORECASTERS AND THE CBO

	Eight forecasters (mean absolute error)	CBO forecasts			
		June 30, 1975	September 17, 1975	March 15, 1976	Mean
Rate of growth of:					
Real GNP	0.4	1.3	0.2	0.6	0.70
GNP deflator	.9	2.0	1.2	.5	1.23
Nominal GNP	.7	.1	1.8	1.3	1.07
Unemployment rate [1]	.2	.3	.25	.175	.24

[1] First difference.

TABLE 8.—CBO FORECAST ERRORS AS A PERCENTAGE OF THE MEAN ABSOLUTE ERROR OF PROMINENT FORECASTERS

	CBO Forecasts			
	June 30, 1975	September 17, 1975	March 15, 1976	Mean
Rate of growth of:				
Real GNP	325	50	150	175
GNP deflator	222	133	56	137
Nominal GNP	14	257	186	153
Unemployment rate [1]	150	125	88	120

[1] First difference.

VIII. THE SHORT-RUN IN PERPETUITY

The C.B.O. Multipliers Project emphasizes the short-run. The C.B.O.'s view of the long-run is found in *Closing the Fiscal Policy Loop: A Long-Run Analysis* (1977a). This study combines the viewpoint of a 1930 stagnationist with the computer technology of the 1970s. There are neither resource allocation nor efficiency problems, nor market solutions. There is no supply and no production. Even economic growth is determined by aggregate demand and aggregate demand management. Saving is a threat to growth. The model is summarized in Figure 1, a model flow chart copied from the study (p. 8).

The report's analysis and statistical projections are generally similar to those found in the Multipliers Study, and they share its general deficiencies when applied to short-period analyses. These deficiencies and biases are augmented when the Keynesian framework and the C.B.O.'s statistical procedures are applied to long-run analysis. Despite the title, however, there is no long-run in the C.B.O. study. The rigidities and information deficiencies that characterize the short-run and impair full and informed adjustments remain. The C.B.O. assumes that there is no lessening of rigidities and ignorance in the long-run.

The C.B.O.'s long-run analysis has demand without supply, inflation without money, interest rates without capital, output without inputs, employment without wage rates and a labor market, and investment without saving or any change in the capital stock. There are static expectations throughout; either nobody ever learns anything, or people just don't care enough to change their behavior. More than twenty years after the consumption analyses of Friedman and of Modigliani and Brumberg, analyses which have been validated by extensive tests and have been accepted by virtually all economists, consumption spending is taken to depend on current disposable income rather than on income received over a wider span of time. In addition, households only spend current income; they cannot or do not borrow. There is no consumer credit. Households have essentially no assets and no capital management decisions.

IX. UNDERSTANDING FISCAL POLICY

When this paper was presented at the Conference, representatives of the C.B.O. said that there had been changes in the C.B.O.'s fiscal policy views since the studies we examined were prepared. Specifically, they called attention to a new study *Understanding Fiscal Policy*, which was brought to our attention in unpublished form on March 23, 1978, when our own paper was in the final stages of preparation. It was alleged that we had ignored this study because it did not support the criticisms that we made of C.B.O.'s fiscal policy model.[25]

(Chart not reproducible in the RECORD.)

We had not ignored the study. We found it contained the main points we had criticized in the C.B.O.'s fiscal policy model. Since the study was unpublished and appeared late, we focused instead on published studies which C.B.O. acknowledged to be central. Now that C.B.O. representatives have said that Understanding Fiscal Policy is their current view, we discuss it more thoroughly.

As before, C.B.O. "compares effects of several different policies based on C.B.O.'s system of multipliers" (p. 16). Once again, C.B.O. concludes that increases in government purchases and public service employment programs are move effective in stimulating GNP and employment than are equivalent reductions in personal income tax rates. In C.B.O.'s words, "a permanent income tax cut is a relatively expensive way of reducing unemployment in terms of budget dollars (net or gross costs) per additional job" (p. 38). Dollar for dollar, C.B.O. finds that

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government purchases have the greatest impact on GNP (nominal and real), while "despite the displacement assumptions (50 percent), employment effects are largest for public employment; and these programs are estimated to be more effective in stimulating jobs per dollar than federal purchases or tax cuts.[26]" Since tax rate reductions are considered to have the weakest impact on GNP and employment, they are considered to have the weakest impact on the price level (p. 17). Notice that these results imply no shift in the aggregate supply function. There is only movement along a given schedule, so, the less production and employment, the less inflation. This is true to the standard Keynesian model in which fiscal policy affects demand, and there are no incentive or disincentive effects that shift the supply schedule.

In response to critics who have pointed out that C.B.O. ignores the supply-side incentive and disincentive effects of fiscal policy, C.B.O. argues that among the least understood effects of fiscal policy are any influences on personal incentives to work or to save. Even at the theoretical level, there is no clear presumption that these effects run in one direction or another. (p. 7)

C.B.O. says that it is entirely an empirical question, and that the evidence is skimpy.[27] As an example, they cite a worker who may retire earlier (and thus work less) because a tax reduction lets him achieve his targeted level of income and wealth sooner. "Higher tax rates," says C.B.O., "could make one perfectly rational person work less and another perfectly rational person work more" (p. 7). Although the idea of a targeted level of income and wealth irrespective of the cost of acquiring it is foreign to the price-theoretical perspective of economic science, for the sake of argument, suppose that one person works less and another more in response to a tax rate reduction. It does not follow from this assumption that "even at the theoretical level there is no clear presumption that these effects run in one direction or another."

C.B.O. is arguing that the income effect of a tax rate reduction works counter to, and offsets, the substitution effect so that the net effect is ambiguous. C.B.O. has confused the income effect of a productivity change, which produces more real income in the aggregate, with the income effect of a relative price change that does not in itself produce more aggregate real income.[28] In aggregating the individual responses to a change in relative prices, C.B.O. appears to ignore the general equilibrium effects. In the absence of bizarre distributional effects, the income effects of the relative price change wash out, leaving only the substitution effects, which unambiguously increase work effort and savings. There can be no aggregate income effect from a relative price change unless the incentive effect raises real aggregate income.[29]

C.B.O.'s argument that people respond to tax rate reductions by working less (or reducing their savings rate) is directed against the effectiveness of incentives in shifting the aggregate supply function. But if people were to respond to tax cuts by working less, real GNP would fall, and it would mean that Keynesian fiscal policy could not be expansionary.

C.B.O's argument against the incentive effects of fiscal policy is contradicted by their exposition of the effects of expansionary fiscal moves, such as a tax cut:

In most expansionary fiscal moves, a relatively small proportion of the increase in national income goes directly to the newly employed. A significant proportion goes into increasing profits, another significant proportion into *increasing average hours of those already employed*. (p. 45, italics added).

If workers respond by working less, these propositions are no longer correct.

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Whatever the reason for the C.B.O.'s considerable confusion about this issue, the result is to misinform policymakers about the relative strength of personal income tax rate reduction as a tool of unemployment and economic growth policy.

C.B.O. apparently thinks that criticisms of the models for neglecting supply-side effects have been answered by making the models "sensitive to disturbances from the supply side," such as higher fuel and food prices. C.B.O. thinks of supply-side effects, not in terms of incentives, but in terms of episodic events having to do with the weather and the OPEC oil cartel.

The analysis of corporate and payroll tax changes and public service employment, like the analysis of personal income tax changes, neglects incentives. Payroll taxes affect costs and spending—not incentives to work and to hire. C.B.O. does not analyze the effect of a payroll tax by noting that it raises the price to the demander and lowers it to the supplier and thus affects the number employed. Instead, in the C.B.O. view, if the tax falls on employees, their spending is reduced, and this sets "in motion a chain of contractions in respending" (p. 5). On the other hand, if the tax falls on the employer it could be used to offset short-run changes in private spending:

A temporary cut in an element of business costs can lead to temporary price discounts, which should stimulate buying while the temporary cut is in effect without any long-run impact on prices. A temporary increase should have the reverse effect. (p. 41)

The way payroll taxes affect employment is by causing higher interest rates:

The higher prices that are set in response to an increase in employer payroll taxes, reduce the real value of wealth and cause higher interest rates, and thereby depress real output and employment. (p. 41).

That a payroll tax affects employment only through the interest rate, and not through take-home pay and the gross cost to the employer, is testimony to C.B.O.'s neglect of supply-side effects. This neglect is underlined by the fact that C.B.O. views a value-added tax as a cost and compares it dollar-for-dollar with a payroll tax (p. 41). C.B.O. overlooks the fact that a value-added tax, unlike a payroll tax, is neutral with respect to resource allocation and income distribution.

On C.B.O.'s fiscal analysis of March, 1978, corporate income tax rate changes continue to be a weak tool of fiscal policy. C.B.O. does not mention that a reduction in the corporate tax rate raises the after-tax rate of return to capital and increases the profitability of investment. Rather, the effect is modeled in terms of increased cash flow and higher stock prices, "with significant effects on personal wealth and hence on consumer spending." (p. 39).

On the other hand, investment tax credits and accelerated depreciation have powerful impacts, because they affect "the after-tax return on investment" (p. 39). C.B.O. does not explain why an income tax rate reduction (corporate and personal) does not affect the after-tax return on investment. That a reduction in corporate income tax rates has to affect the economy by affecting consumer spending through a wealth effect is another indication that supply-side effects on incentives are neglected.

C.B.O. believes that tax rate reductions have indirect effects that discourage investment. Since tax cuts increase spending (but not saving—See p. 7), the results are tight credit markets and higher interest rates which "make borrowing for new investment more expensive." The financing effects work contrary to the spending effects. On the other hand, a tax increase, which reduces the after-tax return to savings and investment, "has opposite effects, easing credit markets and encouraging spending" (p. 5). In other sections of the March, 1978 study, C.B.O. allows savings to increase in order to dampen the expansionary effects of tax rate reductions, but the savings remain idle and do not ease credit markets, lower interest rates, or encourage spending (p. 43).

As a final example of C.B.O.'s neglect of supply-side effects, consider C.B.O.'s inability to differentiate a tax rate reduction from a rebate of taxes on past incomes, which leave current and future relative prices unchanged. C.B.O. compares the 1964 tax rate reduction with the 1975–76 rebates in terms of the impact on disposable income and demand. C.B.O. ignores the fact that a rebate has no incentive effects, since, unlike a rate reduction, a rebate does not change the relative prices that govern the choices between additional current income and leisure and between additional future income and current consumption.

The same study states that "any discussion of the impact of fiscal policy is incomplete without an indication of what is assumed about the response of monetary authorities" (p. 23). The study reports results from a simulation showing that an increase in federal purchases that is accommodated by monetary policy is practically self-financing (i.e., no net deficit after reflows). The C.B.O. study then attacks the contention that permanent tax rate reduction under the Kemp-Roth bill would be self-financing, *but does not indicate C.B.O.'s assumption about the response of monetary authorities*. In Keynesian models, why is an accommodated spending increase self-financing, while an accommodated tax cut is not?

In its analysis of the budget "cost" (net deficit) of the Kemp-Roth bill, the C.B.O. calculates only the higher revenue resulting from the projected increase in spending. There are no calculations of increased revenue arising from an increase in aggregate supply or the tax revenues that result when lower marginal tax rates draw people from tax shelters and from the underground economy into the tax base. Neither is there any calculation of the increase in private savings as an offset to any net budget deficit.

There are other examples of deficiencies in the C.B.O.'s analysis that bias the C.B.O. conclusions. In the discussion of the expansionary spending effect of a personal income tax reduction, attention is also called to the restrictive effect of the higher federal deficit and higher interest rate (p. 1). In comparison, public service employment programs apparently do not have any restrictive deficit and interest rate effects. Even a program with a 100 percent displacement rate is favorably viewed:

Even if displacement under a particular program is 100 percent, it would not be correct to conclude that the program has no economic effects. Federal grants used to support local programs increase the total financial resources of local governments (or other sponsors), and this increase will generally lead to some change in economic behavior. Even if local governments "displace" public service employment money, the federal funds provide resources that can be used to cut taxes or avoid tax increases or to undertake (or avoid cutting back) other spending programs. Moreover, if state and local governments were to let their budget surpluses merely increase, such increases would still serve to cancel any restrictive credit market effects that are caused by the expended federal deficit. (p. 4).

When C.B.O.'s simulations show that public service employment causes higher prices than alternative employment policies (p. 17), the claim is advanced that "public service employment programs also can potentially cause less price pressure per job created than other fiscal instruments" (p. 46). Another example is that distributional issues are apparently only raised by personal income tax reductions (p. 39), and not by increases in government spending programs.

In view of Alice Rivlin's statement that "the study is written for the informed citizen, not for the trained economist" (p. iii), more care should have been taken not to mislead an untrained layman.

Perhaps the most striking feature of *Understanding Fiscal Policy* is its brief discussion of monetary policy. (See pp. 21–23). The paper correctly notes that "the effects of a fiscal policy change depend a great deal on whether monetary authorities use their control over bank reserves to neutralize the impact of the fiscal policy on interest rates, to neutralize the impact of the policy on the money supply, or to follow some other strategy, such as supplying the same level of bank reserves they would have supplied in the absence of the policy." The paper then goes on to estimate "what difference the response of monetary authorities makes in the estimated effects of the $10 billion one-step increase in federal purchases."

Using only the MPS model, C.B.O. obtains the results shown in their Figure 4 (p. 22), which we have reproduced as Figure 2. The exercise shows the estimated impact of an increase in federal government purchases with three different monetary policy targets: (1) money supply unchanged; (2) bank reserves path unchanged, and (3) bill rate unchanged. (The paper has no corresponding estimates for tax cuts.) Our previous discussion shows that the results of simulating monetary change in the other large-scale models would not differ substantially from the results of the MPS model. The C.B.O. apparently thinks well enough of the MPS model to run these simulations and publish the results.

Taken at face value, the results indicate that there is complete long-run crowding out after 8 quarters Thus, there is no such thing as pure fiscal action.[30] Only money matters! If increases (decreases) in government expenditures have any expansionary (contractionary) impact on output and employment, it is only when these are accompanied by money supply changes. As Figure 2 shows, a $10-billion sustained increase in federal purchases with money supply unchanged causes nominal GNP, which includes federal purchases, to increase a total of approximately $14 billion after 4 quarters, but this increase in GNP falls below $10 billion within 8 quarters and approaches a steady state increase of $7 billion after 11 and 12 quarters. This means that nonfederal expenditures, mainly private sector spending, *declines* by $3 billion. The price level rises, however, so the $3-billion decline understates the real effect. As shown in Figure 2, real GNP *falls* after 8 quarters.

The results are startling. After 12 quarters, for given money, the price level increases by 0.7 percent; *employment is unchanged*,[31] and real GNP is $2.0 billion lower. Private real GNP declines more than $2 billion because GNP also includes the federal purchases. If the real value of the $10 billion of spending falls by 0.7 percent after 12 quarters because of higher prices, the increase in real federal purchases after 12 quarters is $9.3 billion, and private real GNP declines by $11.3 billion, or $2.0 billion *more* than the increase in real government purchases. More government expenditure reduces the total size of the pie. This is crowding out with a vengeance! Is this a government expenditure multiplier or a divider? As expected, the results differ sharply when pegged bill rates are assumed and differ moderately when the monetary target is taken to be an unchanged bank reserves path.

(Chart not reproducible in the RECORD.)

If these results are accepted, it means that the only point to fiscal policy is to affect the money stock. Since the money stock can be and typically is altered independently of fiscal action, it would seem that there is no basis for using fiscal policy for stabilization purposes. What remains is the pre-Keynesian use of tax and expenditure powers primarily to affect resource allocation and to finance government expenditures.

Taken at face value, these results imply that the C.B.O. fiscal policy multipliers have only temporary impact effects. Yet, after presenting these startling results, the paper continues as if it hadn't happened. There is little or no attempt to reconcile these results with the remainder of the paper or with other C.B.O. analyses and pronouncements.

X. CONSEQUENCES OF THE CONGRESSIONAL BUDGET ACT

Is the new budget process a success or failure? It would be convenient if we had some nice clean measures of success or failure and good empirical data, but as Ellwood and Thurber point out, "One cannot create measures to judge the success or failure of the new process until these terms are defined. The critical fact is that different groups supported the new process expecting it to achieve different results."[32] On the basis of personal experience while working on the staff of the House Budget Committee, one of the authors concludes that Ellwood and Thurber are correct to point out divergent expectations from different supporters of the Budget Act. Many Congressmen who were dissatisfied with the budget expressed concern that the budget was out of control, but control did not mean the same thing to all of them. Some were concerned by the growth of federal spending and the number and size of deficits. Others were concerned with the extent of back-door spending and the fact that less than half of the budget was subject to the appropriations process. For still others, the budget being out of control meant that it was an ex post result of an appropriations process that did not take into account its "fiscal" impact on the economy. For yet others, it meant that the appropriations process did not provide a mechanism for achieving their spending priorities. For economists outside, looking in through the window of their public choice theory, the Budget Act meant better tools with which to pursue the social welfare.

How, then, does one measure the success of a system that was supported by some in order to eliminate budget deficit and by others in order to set fiscal policy, particularly in a period when measures of unemployment and capacity utilization suggested the need for economic stimulus, i.e., deficits?

Even if we picked a success indicator—say holding down the growth in federal spending and the deficit—in order to have a basis for looking at the empirical data and generating some numbers, we still face difficulties. First, the budget process may still be evolving as a result of unresolved differences among the participants over what it is.

Second, the deficit and spending figures may give conflicting indications. For example, the first budget to come out of the new process, the budget for FY 1976, had the largest deficit on record. But if the expenditure figure is adjusted to a full employment basis and put in constant dollars, there is a decline in the rate of increase in spending. Before concluding that the process was holding down spending below what it would otherwise have been and that the record deficit as the result of recession, one would have to consider whether the recession also resulted in a lack of new spending initatives. The control problems are substantial.

Third, the budget may be determined by a process unrelated to the new procedures. For example, since no group wants another's power to dispense expenditure favors to grow relative to its own, if one group attempts to increase its relative position, the spending process can be deadlocked, and the growth of spending reduced, by another group's defense of its relative position.[33] We would have to have data over a longer period to separate the effects of the budget process.

The combined deficits for the three years since the new budget procedure has been in operation are three times the size of the deficit for the three years prior to the new process. While this suggests that the Budget Act has contributed to deficits, it is not conclusive evidence. Economists who can only interpret evidence found in statistical tables may have to wait some years before they can tender a tentative judgment whether the budget process affects spending, and even these data may not allow us to say whether the process is a success or failure.

There is a more interesting question than whether the budget process is a success or failure, and that question is: Do the new budget process and the C.B.O. really matter? To answer this question, economists can look to see if the new process caused any changes in incentives, constraints, or information.[34] Some who supported the new process clearly thought that it would. Some members of Congress thought that colleagues whom they regarded as "big spenders" had it too easy, because they could indirectly legislate big deficits by voting in favor of many separate bills. Fiscal conservatives believed that if "big spenders" had to vote on an aggregate outlay figure and the size of the deficit itself, there would be lower and firmer limits to spending. Fiscal conservatives thought of the budget process, not as a way to set fiscal policy, but as a way of putting the "big spenders" on the spot.[35]

Fiscal liberals, on the other hand, were attracted by the prospect of having deficits shed their political onus by being sanctioned prior to the appropriations process.[36] If the criteria for control were defined in terms of Keynesian demand management fiscal policy, deficits would then originate in the economic policy proposals of the experts in the C.B.O. and Budget Committees and would no longer be evidence that spending was "out of control" but, instead, "under control." They thereby redefined control.

Fiscal conservatives may have suffered from constituency "ethnocentricism" in thinking that "big spenders" would be voted out of office if they voted in favor of large deficits. They overlooked the fact that being "liberal" was not entirely a matter of a state of mind; in many instances it is a matter of rational self-interest among politicians whose districts or states provide opportunities to build spending constituencies.

It is difficult to conclude that the new budget process has changed the incentives that produced the "overspending" (deficits) and the perceived lack of expenditure control that led conservatives to support the new process. Rather than tightening the constraints and increasing the costs on the "big spenders," it would seem to have loosened spending constraints and reduced costs to Congress by institutionalizing the Keynesian rationale for deficits. The fiscal policy information supplied by the C.B.O. and the Budget Committee staffs does not conflict with the spending incentives that already exist.[37] Proposed deficits now emanate from a professional staff as scientific economic policy recommendations upon which the nation's level of employment and rate of economic growth depend. Fiscal conservatives would seem to be in a weakened position, because their resistance to deficits can now be portrayed as an attack on the budget process and on scientifically derived stabilization policy.

Some academics also supported the new budget process as a result of their view that Congress could not achieve budgetary control on a year-by-year basis. They saw the budgetary process in terms of advanced budgeting, or forward planning, through which Congress would decide now what the budget should be for future years. But, given the short-run stabilization criteria of Keynesian fiscal policy, it is impossible to know today what deficits will be needed in

Footnotes at end of article.

future periods. The idea of achieving budgetary control through advanced budgeting means that fiscal policy would have to operate through tax policy. To try to operate fiscal policy through the outlay side would mean constantly undoing the forward outlays.

This may prove to be a problem for advanced budgeting. Assume a policy prescription for more stimulus. For given forward planned expenditures, more stimulus would require tax reductions, which is not the favored policy tool.

The C.B.O.'s analysis finds tax reduction to be a less effective policy tool for providing economic stimulus than increases in government expenditures. First, the C.B.O. believes that the GNP response to more government expenditures is greater, and the lags shorter, than it is to a corresponding dollar change in taxes. Government expenditure multipliers are systematically higher than tax multipliers. Second, the effects of government spending are taken to be more dependable for government expenditures because consumers may decide to save still more of the given tax cut. Third, the general presumption of underemployed resources and a persistent problem of insufficient aggregate demand implies little or no resource cost of more government.

In its analysis of the fiscal policy effects of changes in personal income tax rates, the C.B.O. ignores the incentive and disincentive effects of tax rate changes on aggregate supply, efficiency and resource allocation.[38] In the C.B.O.'s analysis, tax rate changes affect only current disposable income and spending. Thus, the C.B.O. cannot differentiate between a temporary tax rebate and a permanent reduction in personal income tax rates. One of the authors, while on the staff of the House Budget Committee, brought this to the attention of the C.B.O., and Members of the House Budget Committee officially raised the issue with Alice Rivlin, Director of the C.B.O. In her response, Dr. Rivlin acknowledged that the econometric models used to stimulate policy alternatives do not include the relative price effects of changes in personal income tax rates. However, since C.B.O. believes that the performance of the economy is a function of spending levels,[39] not of production incentives, she expressed little concern over the neglect of the supply-side effects of fiscal policy. As she said in her March 11, 1977 letter to Representative Rousselot,

In the range of policy options that we have been dealing with, I think the assumption that changes in marginal tax rates have no quantitatively significant effect on labor supply is quite plausible. . . . the models do tend to neglect the influence of tax rates and other incentives on aggregate supply and capital formation. But it is far from clear that these effects are quantitatively important, especially over one or two years.[40]

Some members of Congress claim to be interested in "tax reform" and in closing "loopholes" without compensating rate reductions. This would raise effective tax rates, and would redistribute the tax burden. To have fiscal stimulus provided by tax reductions is inconsistent with goals of income redistribution—unless the budget committees can gain sufficient power over the tax committees to specify the form of the tax reductions as well as the amount.

C.B.O.'s analysis and conclusions are not at odds with the activities of the majority of members of Congress, who continue to support new spending programs and growth in existing programs. There do not, then, seem to be any pressure points from which the participants in the process can change the fiscal policy content of the budget options.

Advocates of public service employment (PSE) now cite the C.B.O. estimates to document their case that tax reduction is a weak tool of employment policy. For example, Killingsworth and King state.

There is some doubt that business tax cuts result in reductions in unemployment; the Congressional Budget Office estimating procedure assumes that they do not.[41]

They refer to the September, 1975, C.B.O. study, *Temporary Measures to Stimulate Employment*, done at the request of Senator Muskie, Chairman of the Senate Budget Committee, which "implies that the gross cost per job created by a tax cut is about $25,000, and the gross cost for a PSE job is about $8,000" (p. 23). (As Meiselman indicates, the "cost" here is the assumed expense to the Treasury, not the cost to the public or the taxpayers.)[42]

C.B.O. assumes all corporate income tax rate reductions are an even weaker tool of employment. When asked by Representative Rousselot, a member of the Budget Committee, about C.B.O.'s use of an econometric model which reported declines in GNP in the event of a reduction in corporate income tax rates, Dr. Rivlin replied, "While we do not believe that corporate tax rate cuts reduce investment, it would not be surprising to find the tax cuts had only a minor expansionary effect.[43]

If, as Milton Friedman and some other economists believe, tax reductions deter spending increases, the C.B.O. analysis which asserts that the tax reductions are relatively ineffective, weakens one possible constraint on spending increases.

Two other goals of the new budget process are to gain control over "backdoor" spending and to limit presidential impoundment power. It seems to us that since the existing incentives for Congress are not changed by the Act, whether the Congress uses the budget process to exercise control over "backdoor" spending will depend upon the extent to which the budget can accommodate everyone's spending priorities. If not, "backdoor" spending will continue to relieve the pressure.

The purpose of the impoundment control section of the Budget Act, of course, was to reduce presidential constraints on congressional spending. We predict that this section of the Act will be the most successful. Future Presidents will not have the opportunity, as did Nixon, of attempting to limit the growth of federal spending and the size of the deficit by supplementing the use of the veto with the refusal to spend funds appropriated by Congress. Thus, the effect of this section of the Budget Act will be toward more rather than less expenditures.

After writing all of this, we must admit that the analytical deficiencies, the biases, and information content of the C.B.O.'s model may be the wrong focus. C.B.O. does not have the power to change the incentives faced by politicians and bureaucrats in a democracy. To understand better how C.B.O. is constrained by the process, consider this question: What would happen if C.B.O. abandoned their Keynesian model? Would C.B.O. be ignored or would the new Congressional budget process be abandoned? Where does the more critical analytical error lie—in the C.B.O.'s marco model or in the economist's public policy model?

Is it correct to assume that public policymakers maximize their own interest by maximizing the public's welfare or that, alternatively, people who happen to have jobs in which they effectively make public policy maximize their own interests independently of the public's welfare or possibly even at the expense of the public's welfare? Is this an unexamined assumption—that people in the private sector maximize their own profits or utility, whereas people in government do not—reflecting a normative commitment to democracy and a dichotomy in the economist's assumption about behavior?

There is a growing literature that explains politicians as private entrepreneurs who are not wholly constrained by the interests of their constituents.[44] In such a farmework, the privateness of public policy becomes an issue.

APPENDIX

Statutory tasks assigned to C.B.O.

Listed in the order in which they appear in the Congressional Budget Act of 1974 (P.L. 93-344). Citations are to the U.S. Code and, in parenthesis, to section numbers of P.L. 93-344.

(1) In general, provide information to the two Budget Committees on all matters within their jurisdiction, 2 USC 602(a), (202(a)).

(2) On request, provide information to the appropriating and taxing committees, 2 USC 602(b), (202(b)).

(3) On request of any other committee, provide information compiled under (1) and (2) plus "to the extent practicable," additional information which may be requested, 2 USC 602(c)(1), (202(c)(1)).

(4) On request of a Member, provide information compiled under (1) and (2) plus "to the extent available," additional information which may be requested, 2 USC 602(c)(2), (202(c)(2)).

(5) Perform the duties and functions formerly performed by the Joint Committee on Reduction of Federal Expenditures, 2 USC 602(e), (202(e)), see also 31 USC 571.

(6) Annually on or before April 1, furnish to the Budget Committees a report on fiscal policy for the next fiscal year, to include a discussion of alternative levels of revenues, budget authority, outlays and tax expenditures, plus alternative allocations among major programs and functional categories, all in the light of major national needs and the effect on "balanced growth and development of the United States," 2 USC 602(f)(1), (202(f)(1)).

(7) From time to time, furnish the Budget Committees such further reports as "may be necessary or appropriate," 2 USC 602(f)(2), (202(f)(2)).

(8) Develop and maintain filing, coding and indexing systems for all information obtained by C.B.O. from the Executive Branch or from other agencies of the Congress, 2 USC 603(b), (203(b)).

(9) With respect to each committee bill providing new budget authority, furnish to the reporting committee for its consideration: (a) a comparison of the bill to the most recent concurrent resolution on the budget, (b) a 5-year projection of outlays associated with the bill, and (c) the amount of new budget authority and resulting outlays provided by the bill for State and local governments, 31 USC 1329(a)(1), (308(a)(1)).

(10) With respect to each committee bill providing new or increased tax expenditures, furnish to the reporting committee for its consideration: (a) a report on how the bill will affect the levels of tax expenditures most recently detailed in a concurrent resolution on the budget, and (b) a 5-year projection of the tax expenditures resulting from the bill, 31 USC 1329(a)(2), (308(a)(2)).

(11) Periodically, issue a scorekeeping report on the results of Congressional actions compared to the most recently adopted concurrent resolution on the budget, plus status reports on all bills providing new budget authority or changing revenues or the public debt limit, plus up-to-date estimates of revenues and the public debt, 31 USC 1329(b), (308(b)).

(12) Annually, "as soon as practicable after the beginning of each fiscal year," issue a 5-year projection of budget authority and outlays, revenues and tax expenditures, plus the projected surplus or deficit, year by year, 31 USC 1329(c), (308(c)).

(13) Prepare "to the extent practicable," a 5-year cost estimate for carrying out any public bill or resolution reported by any committee (except the two appropriating committees), 31 USC 1353, (403).

(14) Jointly study with OMB, but separately report, on the feasibility and advisability of year-ahead budgeting and appropriating, the report to be made by February 24, 1977, 31 USC 1020 note, (502(c)).

(15) Cooperate with the Comptroller General in the development of standard fiscal terminology, 31 USC 1152(a)(1), (801(a)), (Sec. 202(a)(1) of the Legislative Reorganization Act of 1970).

(16) Cooperate with the Comptroller General in developing an inventory of fiscal information sources, providing assistance to Congress in obtaining information from those sources and furnishing, on request, assistance in appraising and analyzing information so obtained, 31 USC 1153(b), (801(a)), (Sec. 203(b) of the Legislative Reorganization Act of 1970).

(17) With the Comptroller General, establish a central file or files "of the data and information required to carry out the purposes of this title," 3 USC 1153(c), (801 (a)), (Sec. 203(c) of the Legislative Reorganization Act of 1970).

(18) Cooperate with OMB in providing useful federal fiscal information to State and local governments, 31 USC 1153(d), (801(a)), (Sec. 203(d) of the Legislative Reorganization Act of 1970).

(Chart not reproducible in the RECORD.)

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FOOTNOTES

[1] U.S. Congress, House, Committee on the Budget, (1976, p. 1).

[2] Ibid., p. 2.

[3] Ellwood and Thurber (1977).

[4] Public Law 93–344, Title III, Sec. 300.

[5] There are 19 major functional categories; national defense; international affairs; general science, space and technology; energy; natural resources and environment; commerce and housing credit; transportation; educational training, employment and social services; administration of justice; general purpose fiscal assistance; allowances; agriculture; community and regional development; health; income security; veterans benefits and services; general government; interest; undistributed offsetting receipts.

[6] U.S. Congress, House, Committee on the Budget (1976, p. 4).

[7] U.S. Congress (1976, p. 1).

[8] Ibid.

[9] Ibid.

[10] Ibid., p. 2.

[11] The count was made from C.B.O. documents listing their publications, which the C.B.O. kindly made available. In a somewhat earlier bibliography covering publications through Feb., 1978, the C.B.O. made a subject area listing of the 136 studies which had been published up to that date. The following is a tabulation of the numbers of studies by subject area:

Agriculture	4
The Budget and Budget Projections	20
Budget Procedures	5
Defense	26
The Economy and Fiscal Policy	23
Education	7
Employment and Training	15
Energy	12
Federal Work Force and Government Administration	8
Foreign Affairs	9
Health	9
Housing	4
Income Assistance	14
International Economic Relations	9
Law Enforcement and Justice	2
State and Local Government	2
Tax Expenditures	6
Tax Receipts and Distribution	12
Transportation	6
Urban and Regional Development	3
Total	196

The total of the 196 studies exceeds the number of studies (136) because some studies are indicated in more than one subject area.

[12] The same model was still in use at the time our paper was prepared and at the time of the Carnegie-Rochester Conference at which an earlier draft of this paper was presented. For example, as late as April, 1978, the C.B.O. (1978) Background Paper, *Understanding Fiscal Policy*, used these multipliers and the model of the multipliers project as central features in the analysis of fiscal policy. Citing the C.B.O. Multipliers Project study, the paper states:

In the course of using a number of econometric models, the Congressional Budget Office has had occasion to develop its own sets of GNP multipliers for several different kinds of fiscal policy change. These multipliers are based on a careful analysis and comparison of five econometric models; they discount some of the more questionable elements of each model while still maintaining consistency in the treatment of different kinds of fiscal action. (pp. 15–16)

The paper then goes on to compare the effects of different policies based on "C.B.O.'s system of multipliers" (p. 16).

[13] U.S. Congress, Congressional Budget Office (1977b, p. 5).

[14] Meiselman (1976a).

[15] Friedman and Schwartz (1963, pp. 676–86).

[16] U.S. Congress, Congressional Budget Office (1975c).

[17] Meiselman (1976b), Meiselman and Davis (1978), and Friedman (1977).

[18] Clarkson and Meiners (1979) and Perloff and Wachter (1979).

[19] Meiselman and Davis (1978) and Friedman (1977).

[20] U.S. Congress, Congressional Budget Office (1975a).

[21] Ibid., p. 28.

[22] U.S. Congress, Congressional Budget Office (1975b, p. 34).

[23] U.S. Congress, Congressional Budget Office (1976, p. 20).

[24] McNees (1977, Table 4, p. 7).

[25] A footnote to the discussion of the effectiveness of fiscal instruments states, "A somewhat similar discussion of fiscal instruments appears in an earlier C.B.O. report, *Temporary Measures to Stimulate Employment*, Sept., 1975" (p. 38).

[26] The C.B.O. study makes strong claims for public service employment without defining what a job is. Some economists wonder if we attain full employment by redefining unemployment compensation as public service employment. Is a tax-supported job that does not produce marketable goods and services the same as a tax-generating job that does?

[27] They make no reference to Michael Boskin's work on the responsiveness of savings. (See Boskin, 1978).

[28] See Roberts (1978a).

[29] An income tax rate change is a relative price change. It changes the relative price of leisure in terms of foregone current income and the relative price of current consumption in terms of foregone future income. Therefore, it affects at the margin the choices between leisure and current income and between current consumption and future income.

[30] Roberts and Van Cott (1978) arrive at the same conclusion on the basis of theoretical considerations.

[31] Figure 2 shows employment changes at zero after 11 quarters; there is no reading for quarter 12.

[32] Ellwood and Thurber (1977, p. 90).

[33] During a time period that overlaps with the new budget process, Senator Edward M. Kennedy has been using the concept of "tax expenditures" to launch an attack on the powers of the tax-writing committees. "Tax breaks," he says, are equivalent to government grants and should be handled through the authorization and appropriation process and dispersed through the appropriate federal agency. The Senate Finance Committee's response was to block the energy taxes that could have financed Kennedy's national health program and welfare reform. See *Congressional Record* (Nov. 15, 1977, pp. 37664–37665) and Senator Kennedy's press release of April 16, 1978.

[34] A discussion of incentives should not be confused with a discussion of motives.

[35] Ellwood and Thurber (1977, p. 84) came to the same conclusion. They write, "Some members, mostly conservatives, felt if Congressmen and Senators were forced to vote on the deficit or surplus, the tendency for even larger deficits would be reversed. To this extent they saw the vote not as a way to exercise fiscal policy but as a means to limit spending."

[36] As Ellwood and Thurber (1977, p. 94) point out, "Both committees, but particularly the Senate Budget Committee, were willing and eager to use the new process to set fiscal policy."

[37] The argument may be made that other information supplied by the C.B.O., such as studies of specific spending proposals and the scorekeeping reports, work counter to the fiscal policy justification of deficits and serve to hold down spending. The problem with this argument is that neither the analysis of specific programs nor the scorekeeping process has anything to do with the determination of the overall level of outlays and the size of the deficit. The fact that some programs lose out in the competition for budget shares does not mean that total spending is reduced. The processes are unrelated. The scorekeeping process takes as givens the outlay and revenue figures set in the budget resolution. It does not hold down spending, but merely keeps the Congress informed of its progress toward the mark it set.

[38] This is discussed in more detail by Roberts (1978a).

[39] See, for example, *Closing the Fiscal Policy Loop: A Long-Run Analysis*.

[40] For the correspondence, see *Congressional Record* (July 11, 1978, pp. 20134–20135). C.B.O. has been under mounting pressure for their disregard of the supply side effects of fiscal policy, and there is some hope that the C.B.O.'s future analyses will start to take supply factors into account. In a letter of June 2, 1978 to Representative Barber Conable, Ranking Minority Member of the Committee on Ways and Means, Dr. Rivlin said that C.B.O. is "unable to provide estimates of the long-run impact of tax cuts" and cannot "provide estimates of the impact of rate cuts in corporate income taxes." She went on to say that "C.B.O. is currently planning to undertake an in-depth study of the issue of the incentive effects of large tax cuts and the impact of reductions in business taxes. This will enable us to address these issues in greater detail in the future." (See *Congressional Record*, July 27, 1978, pp. 23121–23122.)

[41] Killingsworth and King (1977, p. 21).

[42] Meiselman (1978).

[43] See *Congressional Record* (July 11, 1978, pp. 20134–20135).

[44] See, for example, Roberts and Rabushka (1973), Roberts (1976, 1978b), Meckling (1976a, 1976b), Jensen and Meckling (1976), Wagner (1977). See also LePage (1977), who writes in *Realities*: Most economists act as if they have two different weights or measures by which they analyze the private economy and the public economy. It is assumed that individuals in the private economy are egocentric, guided by narrow self-interests, whose motives must be subject to a collective control embodying the general interests of society. On the other hand, in the public economy the state, a divine supermachine, reflects the interest of the collectivity. It is operated by officials who are motived by affirmation and respect for the public interest. It is this fiction from which we must escape.

Mr. ROTH. I thank the distinguished Senator from Utah for his support.

Mr. President, I yield 3 minutes to the distinguished Senator from Illinois.

Mr. PERCY. Mr. President, I have indicated my full support for the Budget Committee, with two exceptions. One is the provision guaranteeing us an adequate defense through a 3-percent increase in next year's defense budget. The 3-percent increase is only a guideline which I hope we will never have to meet. But we need a guideline flexible enough that we can make adequate provision for defense in the next year. The other area where I digress from the Budget Committee is over a potential tax cut. I have indicated that I would not be able to support a tax cut that did not have an accompanying reduction in expenditures. For that reason, I support the principles of the Roth-Danforth tax cut amendment. It is as essential to the restoration of our economic health as is a balanced budget. The amendment acknowledges that these two goals are uppermost in our priorities, for the proposed tax cut will in no way jeopardize the balanced budget we have set for October 1980.

According to the committee's own estimates, failure to pass a tax cut in fiscal year 1980 will result in a tremendous increase in taxes for the American economy. Measured in terms of gross national product, the rate of taxation would increase in 1980 and 1981 and then slowly decline. It would not, however, decline to the 1979 level of taxation for many years, as the following table shows, which I ask unanimous consent to have printed in the RECORD.

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

Revenues as a percent of GNP

Fiscal year:	*Revenues as percent of GNP*
1978 (actual)	19.7
1979	20.4
1980	20.6
1981	21.5
1982	20.7
1983	20.8
1984	20.9

Source: Senate Budget Committee Report on the 2nd Concurrent Budget Resolution, FY 1980.

Mr. PERCY. Mr. President, I simply cannot support a tax increase of this magnitude. In real terms, it means that taxes will increase by $88.9 billion between fiscal year 1980 and fiscal year 1981. That will be followed by another tax increase of nearly $55 billion in the next fiscal year. All of this is on top of taxes that are already too high.

I support a tax cut that will stimulate business investment and increase our rate of productivity. Several bills have been introduced this year that I support that will lead us in that direction.

In July, all 41 Republicans endorsed a package of tax cuts that would help reinvigorate the American economy. The Republican package incorporates my own Small Savers Incentives Act which increases the current divident exclusion and provides a similar exclusion for interest income earned from saving accounts. It has been estimated that this part of the tax package would cost $3 to $4 billion in the first year.

This bill is desperately needed to spur investment and give our small savers in this country a reason to increase saving. It will help bring down high interest costs being borne by millions of American consumers, farmers, and businesses.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. PERCY. Mr. President, will the Senator yield me 2 additional minutes?

Mr. ROTH. I yield.

Mr. PERCY. I ask this question of Senator DANFORTH: Is it not true that the savings rate in this country is one of the lowest among the industrialized countries and that this definitely has an adverse impact on our ability to generate funds for investment?

Mr. DANFORTH. There is absolutely no doubt about it. Compared to all our trading competitors around the world, we rank far lower than any of them.

I think the percentage of disposable income which is saved in Japan is 25 percent. Fifteen percent of personal disposable income is saved in Germany, 10 percent in Great Britain, and only 5.5 percent in the United States.

So savings, according to the economists, means investment; and to the

extent that we spend now and even borrow to spend now and do not save, we are narrowing our economic base for the future.

Also, I say to the Senator from Illinois that he really has been the leader in the whole area of personal savings and the importance of that for the economy. He has introduced the bill to provide an exclusion from income taxes of a hundred dollars for an individual, for interest received, which is a step in the right direction.

Mr. PERCY. I thank my distinguished colleague.

Mr. MUSKIE. Mr. President, will the Senator yield? I think we have enough Senators present to obtain the yeas and nays on this amendment.

Mr. PERCY. I yield.

Mr. MUSKIE. Mr. President, I ask for the yeas and nays.

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

The yeas and nays were ordered.

Mr. PERCY. I say to my distinguished colleague that another crucial part of the tax, in my judgment, is depreciation.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. PERCY. Mr. President, will the Senator yield 1 additional minute?

Mr. ROTH. I yield.

Mr. PERCY. We have to find a way to provide amortization depreciation. This is a principle I began fighting for at the Treasury 12 years ago when organized labor was opposed to it. Today, labor is really not battling this any more and has come around to realize that American workers need a tremendous amount of capital if they are to remain competitive.

They realize that a $40,000 to $50,000 investment is needed behind every single job that is created.

So another crucial part of a tax cut must address itself to the depreciation system. The Republican tax package meets this test by including the Capital Cost Recovery Act. This provision will replace our current tax depreciation system with a 10–5–3 plan, covering structures, equipment and rolling stock, respectively. The estimated cost of this provision is $5 billion in the first year.

Certainly I know Senator DANFORTH and Senator ROTH are familiar with the strong correlation, as noted by the Joint Economic Committee, between our low rates of capital investment and productivity and the deficiencies of our capital recovery system. We have to find a way to plug this great loophole.

This tax reduction before us today will make a significant contribution to our effort to increase productivity, reduce inflation and strengthen our balance of payments position. I think, therefore, that it is a highly cost-effective tax reduction from which we will benefit immensely and very quickly. We are already, for example, seeing the benefits of the capital gains tax cut we made last year.

A third area that should be included in the tax cut would curb the phenomenon of "bracket creep" that bucks individual taxpayers into higher and higher tax brackets. Some have called this "taxflation" and it is certainly one of the highest items in a family's budget.

I have supported indexing of individual tax rates for several years, to eliminate the hidden inflation tax. For every 10 percent increase in the cost of living, tax revenue going to the Treasury increases by 16 percent. We need to take a hard look at the tax system and give the American taxpayer a break.

In the report accompanying the second resolution, the Budget Committee explains the state of the economy at this time and points out, in all candor, that "this resolution has been drafted at a moment of extraordinary uncertainty." It is to the further credit of the committee that they have not swerved from their analysis in the first budget resolution last spring that inflation "is the Nation's most serious economic problem."

All evidence continues to point to the intractability of inflation and the ineffectiveness of the tools we have used so far against it. Let me just highlight a few of the key indicators, which only bolster my view that we need a targeted tax cut.

First, consumer prices. Consumer prices have risen steadily throughout the winter and spring and well into the summer. The recently-released July figures for the Consumer Price Index show an annual rate of increase of 12 percent. The average increase for the first half of this year is a staggering 13.4 percent. This is a far cry from the 7.5 percent the President foresaw in January and it is most unlikely that we will even be able to average less than a double digit rate for all of 1979. The effect of escalating prices is seen everywhere around us. Housing costs are one of the most inflationary items in the economy, as a Commerce Department report made clear just recently. The agency announced that the average sales price of new one-family houses sold during the second quarter of this year topped $72,000. What is more, this was an increase of 5.7 percent over the average price of similar houses in the first quarter.

Inflationary consumer prices have become so much a part of the economic landscape that the head of the Labor Department's Statistical Bureau, Janet Norwood, said last month that the rise in the Consumer Price Index had become "almost monotonous."

Let me say there is no monotony in it for senior citizens on fixed incomes, or for families struggling to balance a family budget. For them it breeds uncertainty and even fear of the future.

Second, producer prices. For a few months this spring, it appeared that wholesale prices—as reflected in the producer price index—would be a moderating influence on inflation. There was even brief and cautious hope that this moderation in wholesale prices would be reflected in moderating consumer prices in the later summer and fall.

Now, after 2 months of rapidly escalating producer prices, it appears these hopes will not materialize. In fact, in August, the producer price index rose at an annual rate of 14.9 percent, the highest since January and even outstripping the consumer price rise for the month.

Third, interest rates. The prime interest rate, which banks give their best corporate customers, has jumped more than a full percentage since the onset of summer. On September 7, it was jacked up twice in 1 day, to 12¾ percent and just 5 days later, on September 12, it hit a record high of 13 percent.

Business demand for loans remains high and the Federal Reserve, under its new chairman, Paul Volcker, is signaling that he will actively work to combat inflation with high interest rates. Just yesterday the Federal Reserve raised the discount rate again, to a record 11 percent. Despite the apparent necessity of this course, higher interest rates are a bitter pill to small businesses and potential homeowners, for they may be shut out of the market altogether.

Fourth, gross national product. After 3 years of buoyant economic growth, we now appear to be in the midst of a slowdown that may mean the loss of hundreds of thousands of jobs in the year ahead. GNP grew at nearly 6 percent in 1976, at well over 5 percent in 1977, and at a 4.4 percent rate last year. So far this year, though, we have seen GNP grow at an annual rate of only 1.1 percent in the first quarter and it actually declined by 2.4 percent in the second quarter. If the quarter ending September 30 proves to also be in deficit, we will have achieved a true recession in the economists' definition of two quarters of negative economic growth.

Fifth, productivity. Next to GNP, perhaps one of the poorest performers has been productivity, which has also shown no growth this year. We have not had the hard-driving productivity gains in this decade that we experienced in the 1950's and 1960's—the gains which enabled our standard of living to increase steadily and wages to rise to all-time highs. Yet as recently as 1976 we did chalk up a 3.5 percent increase in productivity. It has declined each year since then and in each of the first two quarters of this year, there has been a very serious decline of well over 2 percent.

Mr. President, as much as these five indicators point to continuing inflation, the signals we are receiving from other parts of the economy are mixed. For example, the Commerce Department's index of leading indicators declined in July. But a closer look shows that 6 of the 10 indicators actually rose while 4 fell. The Commerce Department's chief economist, Courtney Slater, commented that this mixed bag of indicators were "very consistent with the proposition that we are experiencing a mild downturn or recession."

In short, there does not seem to be the threat of a serious recession looming ahead. Inflation, however, is still snapping at our heels. A tight budget and a tax cut that stimulates investment and productivity are the most effective ways we can deal with it.

The PRESIDING OFFICER. Who yields time?

Mr. ARMSTRONG. Mr. President, I am wondering if the distinguished chairman will yield me time on the bill, and I make that request with the understanding that that time—and I ask for 10 minutes—will be deducted from time that might

be available to me later on on my amendment.

Mr. MUSKIE. I have no objection to that.

May I say whatever time the Senator takes on his amendment to debate this I will be glad to take off on my side of the amendment so we will achieve a double reduction in time on his amendment.

So I yield him 10 minutes on the bill with that understanding.

Mr. ARMSTRONG. Mr. President, I appreciate the chairman's courtesy.

I am not one of those who thinks the weight of argument depends on its length. I can sum up my support for the amendment now pending very simply.

I begin by congratulating the distinguished Senator, BILL ROTH, for bringing this before the Senate and for the support and cosponsorship of our colleague from Missouri, Mr. DANFORTH. I think they are doing a great service in addressing themselves to what I believe to be the most serious economic problem facing our country. I refer, of course, to the problem of inflation and bracket creep.

If you spent most of the month of August as I did out talking to the people at home I do not think there could be any doubt in anyone's mind that the working men and women of this country, the families of this country, and the business firms of this Nation are really hurting. Every economic indicator, every conversation, every bit of testimony from the Nation's economists underscores the fact that we are really in trouble.

It seems to me that the amendment which is proposed by the Senator from Delware and the Senator from Missouri addresses itself in the most responsible manner, and I cannot help recalling, I say to my friend, Senator ROTH, a few years ago when he and the gentleman from New York, JACK KEMP, and a handful of others began to beat the drum for tax cuts, that it was greeted with apathy and ridicule. Gradually, as they have taken their case not only to the floor of the Senate but around the country, to the halls of the great universities and the centers of learning, to the editorial pages of the Nation's newspapers, to businessmen and consulting economists, that gradually an understanding of how right they have been has begun to dawn on people in every walk of life, and I just congratulate them not only for being right but being right early and being persistent enough to make this seemingly impossible dream come true, and I think it is going to come true. I think there is going to be a tax cut and very soon.

I hope the day we set the stage for it will in fact be today.

I stress that the concern for what is happening to our economy and the recognition that a tax cut is the right medicine for what ails our economy is not partisan and it is not ideological. In fact, I have been very buch impressed by the fact that an advocacy of large substantial permanent tax rate reductions are now advocated by a very diverse group of the Nation's leading economists, representing I think a consensus which is almost without parallel in modern economic history.

Among those representing various segments of the philosophical and economic spectrum who are now calling for tax cuts are Dr. Walter Heller, regents' professor of economics at the University of Minnesota and former chairman of the Council of Economic Advisers under Presidents Kennedy and Johnson, who recently noted:

> . . . with the country, the Congress and Mr. Carter firmly determined to hold Federal spending in check, it becomes ever clearer that tax cuts are the way to go.

And he continued in a Wall Street Journal article from which I will quote a bit more:

> While it is too early to push the panic button on a tax cut, it is none too early to push the planning button.

Alan H. Meltzer, Maurice Falk professor of economics and social science at Carnegie-Mellon University, in recent testimony before a Senate committee stated:

> There are some desirable changes in policy that should be taken to reduce the burden of the recent oil shock and to speed the adjustment of employment and real income to the shock. The principal policy change that I recommend in response is a reduction in the real value of Government spending and a reduction in tax rates for households and business.

Other market analysts and economists have echoed the same theme. For example, Lawrence Kudlow, writing in a recent investment company newsletter pointed out:

> Inflation is caused by spending and monetary policies that create too much money. A stagnant economy is caused by excessive tax rates that produce too few goods. When too little supply is matched against too much demand, prices rise and the currency depreciates. . . . To reduce inflation requires tight spending and monetary policy. To expand production requires easier tax policy. Monetary restraint and fiscal ease is a program for the 1980's.

Lacy Hunt, vice president of Philadelphia's Fidelity Bank, recently made a similar observation in testimony before the Senate.

Included within a policy statement by the Shadow Open Market Committee, a group of economists, was the following observation:

> To encourage investment and output, Congress should further reduce the growth of Government spending (including off-budget items) below the recommendations of the President, and reduce real tax rates.

Prof. Arthur B. Laffer is, of course, a well-known advocate of tax rate reduction. He sums it up this way:

> The recession that we're headed into could be much less serious if Congress adopted a tax cut of the type proposed by President Kennedy and passed in 1964. To argue that a tax cut is inflationary because it would create a deeper budget deficit by curtailing revenues is inappropriate. If you encourage more production you will lose much less in tax revenues and may even increase them.

Irving Kristol, a distinguished observer of modern thought and a leading thinker about problems not only of the economy but of the broader scope than just economic matters, pointed out:

> I believe a cut in tax rates will generate more jobs, greater economic activity and an expanded tax base, which, in time, will yield the same or more revenues, even with lower tax rates.

From all across our country, from every occupation, from every walk of life, from every philosophical background there comes the hue and cry for a tax cut, and I think that the kind of proposal which Senator ROTH and Senator DANFORTH have brought before us today is not only commendable, it is something that we urgently need.

If we are going to cope with the economic malaise that is spreading across the country, it is time to cut taxes, and I urge my colleagues in the Senate to adopt the pending amendment.

Mr. MUSKIE. Mr. President, I discussed the matter of time with the distinguished principal cosponsor of the pending amendment, Senator ROTH, and I have agreed to cut my time on his amendment in half if he will reduce his remaining time of 17 minutes to 10 minutes. He has agreed to do so.

I ask unanimous consent that time on the amendment be adjusted to that effect.

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

Mr. MUSKIE. I thank him for his courtesy because there are other amendments that have not yet been identified that may be called up, and I want to be sure that our colleagues have the opportunity to present them.

Mr. President, I yield myself 10 minutes, and I hope I do not need to use it all, but I can never predict.

Mr. President, I have listened with interest to the rationale for this amendment and the cosponsors have been quite candid and quite blunt and indeed quite critical of the budget resolution and the economic philosophy underlying it.

I shall try to be equally candid and blunt without being disagreeable if I can.

I listened with interest to Senator HATCH's speech, and I am sorry that he had to leave the Chamber before I could make this comment, but he told the Senate that the Budget Committee has never explained to the Senate the uncertainties and the gaps in the information that we can expect from the econometric models.

Mr. President, I have spent more breath than I care to spend in the Chamber explaining the shortcomings of the econometric models, of economists, of would-be economists in the Senate, including the Budget Committee. I do not know anyone who has a certain view of the future economically, much as we like to speak as though we did. I certainly do not have a certain view of the future. I mean our judgments are all calculated judgments, using our best judgment-making capabilities on the facts that are available to us and the uncertainties of human behavior, and economics is a science or an art form based upon someone's calculation of human behavior in response to uncertain and unpredictable stimuli.

At least that is my understanding of economics, after listening to economists, the most eminent in this country, conservative, liberal, monetarist, and otherwise, across the board, for the last 5 years.

I have not heard any economist boast about the accuracy of his last year's assumptions about this year's economy, but they speak with considerable certainty about next year's economy, just as I have been listening to that kind of certainty expressed in this debate up to this point.

Mr. President, I would like to talk, not about the behavior of the citizenry of our country, but about senatorial behavior. That is of more concern to me with respect to the economy of our country and the problems of inflation than what the economists say about human behavior and our economy as we go into next year.

Mr. President, the sponsors of this amendment propose what? They propose a tax cut, and they emphasize the importance of a tax cut, because they say it is the kind of medicine the economy needs. Well, that is certainly one question. But in order to avoid being accused of adding to the deficit or unbalancing the budget further, they couple that with a proposal to cut outlays.

Well, now, what do they propose? They propose cutting outlays in fiscal 1980 by $16.1 billion beyond what has already been mandated by the Senate, and they propose that this be done in nondefense spending.

Mr. President, yesterday the Senate directed the Appropriations Committee and six authorizing committees to cut nondefense spending by $3.6 billion. Having saved that much money, the Senate then proposed, in the afternoon, to spend $3.2 billion of what had been saved out of domestic programs for defense, for a net savings of $400 million.

Now the proponents of this amendment undertake to tell us what they would do in addition to the $3.6 billion directed to be saved out of domestic programs yesterday. They would propose to cut an additional $16.1 billion, and they dismiss this as simply an act of will. They say if the Senate wants to balance the budget badly enough, we can cut the $16.1 billion, totally ignoring, in an exercise of either naivete or cynicism, the enormous efforts that had to be made last week before the resolution came to the floor to get the Senate to adopt the cuts reflected in the reconciliation instruction; and they put this forward as a realistic political proposition.

Well, I wish they could have been in my shoes last week, in the Democratic caucus, in meetings with committee chairmen, and in meetings with my Republican colleagues on the Budget Committee, to test the realism of the proposition they are advancing this morning.

I am not talking about national economic effects or economic philosophy, or econometric models; I am talking about senatorial behavior. The Senators who have spoken this morning all voted yesterday for the increases in defense. That is their prerogative, and I am sure they are motivated by their concerns about our national security. I do not challenge their motives.

I am challenging the realism of what they are proposing. I mean they are following a tried and true path. They describe their proposal as a new economic policy, but there is nothing new about this kind of senatorial behavior. For all the 20 years I have been here, Senators have indulged themselves in voting for tax cuts, in voting for increases in their programs, and undertaking at the same time to assure their constituents that what they were proposing was sound economic policy, even a new economic policy for whatever period they were speaking to at the time.

I repeat, there is nothing new about that kind of senatorial behavior. And given the votes yesterday, if we should in addition vote now for a tax cut, and vote also for a cut in outlays that we have got to know will not be achieved—it just will not be achieved by this Congress. Indeed, Mr. President—and I have had to go through House-Senate conferences on the budget resolution for 5 years—Senators who do not appreciate it ought to understand the strong impulse for protecting domestic programs that we confront in the House-Senate conference each and every year. To suggest to me, as the one who would have to lead the charge—not Senator ROTH, Senator DANFORTH, or Senator HATCH—but to suggest to me that I could persuade the House conferees to accept the reconciliation instruction, which does not exist in the House resolution, and in addition persuade them to cut $16.1 billion from domestic programs this year, is to indulge in the sort of fanciful daydreaming that one would find only in fairy-tale books.

Indeed, if I am mandated by the Senate to accomplish any such Herculean feat, I think I would yield the responsibility to someone else who had more optimism, such as the sponsors of this amendment.

Mr. President, the whole idea that one can indulge in one's own priorities and except the other fellow's priorities to accept the full burden of fiscal responsibility in order to make a tax cut of our liking possible is simply the old senatorial behavior in new clothing. There is nothing new about it.

What the cosponsors are saying is, "Look, if I could have my way completely, I would cut your taxes and I would make it possible by cutting out funds for all those deadbeats and all those drones"——

The PRESIDING OFFICER (Mr. HUDDLESTON). The Senator has used 10 minutes.

Mr. MUSKIE. I yield myself another 5 minutes; I knew I would have to.

"All those drones on the welfare rolls, all those deadbeats who are eating up the substance of the taxpayers of this country—I would give you a tax cut, and I would cut their programs, if I had my way; and at the same time I would make sure that national defense had everything that the Pentagon requests, so that your national security, your freedom, and your security will not be jeopardized."

That is the old senatorial behavior, Mr. President. I say to my colleagues who are so pleased to criticize the budget resolution—let me tell them what the budget resolution is.

The budget resolution is no Senator's idea of what his priorities would be, no Senator's. The only Senators I know of who have voted without change to support the budget resolution as it came out of the committee are Senator BELLMON and myself. My apologies if I left out someone. But I know he and I have—not because our personal priorities are accurately reflected in the resolution, but because we understand what the whole Senate has to understand if the budget process is to work. That is that we must trade off with each other our notions of what our priorities require if we are to get a responsible resolution of the differences in priorities that are represented in this body.

There is no way for Senator ROTH to have his way 100 percent with respect to the budget. There is no way for me to do so.

I have voted on the floor against positions I have taken in the Budget Committee, over and over again, because I recognize the budget process has to represent a trade-off. That is what this budget resolution represents.

So, when you try to shove down my throat the argument that I am trying to force on the Senate some economic policy which is personal to me or some budget policy which is personal to me, I say to you that you do me an injustice. More importantly, you do the budget process an injustice, because you like to pretend that somehow I mandate the final result. Well, the votes yesterday clearly reflect what is the fact. The 20 members of the Budget Committee are not the Budget Committee. The Senate is this house's Budget Committee.

You challenged the Budget Committee last spring to balance the budget. It is clear after yesterday's vote that the Budget Committee cannot balance the budget. Only the Senate can balance the budget. The Senate can choose now to indulge in fancy bursts of rhetoric designed to put the appearance of rationality on irrationality. It is not going to work.

So I do not answer the arguments I have heard this morning by my own macroeconomic analysis, although I ask unanimous consent, Mr. President, that a brief two-page analysis, which has my approval, of the macroeconomic claimed for the Roth-Danforth amendment, be printed in the RECORD.

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

MACROECONOMIC EFFECTS

Senators Danforth and Roth have argued that the outlay cuts are anti-inflationary while the tax reduction is anti-recessionary, stimulating economic activity and employment; in addition, they argue that the tax cut will increase work incentives and the incentives for saving and investment, thus adding to the supply capabilities of the economy. In fact, in the short-run, cuts in transfer programs such as AFDC food stamps and medicare/medicaid and the CETA jobs program combined with general personal tax reduction will simply transfer income from the beneficiaries of the programs to those receiving a tax cut. There is no reason to believe that the short-run effects of such a redistribution of income would be anti-recessionary. Indeed, to the extent that they reduced consumption spending and increase personal saving, they would tend to deepen the recession; there would be little, if any, increased incentive to use the saving for business investment in the face of declining rates of capacity utilization. Similarly, even if the tax reduction induced more people to

look for work, this would not expand employment in an environment of slack demand for labor. It would only increase measured unemployment.

There is also little reason to believe that the combined reductions in outlays and taxes would be anti-inflationary in the short-run, by comparison to the fiscal policy in the Resolution. The balance of supply and demand for output would be virtually unaffected. The only possible anti-inflationary effect would be if reduced personal taxes resulted in the acceptance of lower before-tax wages. The U.S. statistical evidence on this point is not conclusive and there is no direct evidence from highly inflationary periods such as the present. Britain achieved a period of wage restraint in the mid-'70's as a result of a "social contract" in which a wage guideline was accepted by labor unions in return for tax reduction. But this bears only indirectly on likely U.S. developments since it was a fairly explicit social contract between the government (Prime Minister Callaghan's Labor Government) and the labor sector which is much more extensively unionized than in the U.S.

Over the longer-run, the tax reduction would enhance work and saving incentives slightly. The exact amount is very difficult to determine and the subject of contemporary controversy. Assuming some positive effect—which appears reasonable—the longer-term supply capabilities of the economy would be slowly increased. This would permit an expansion of private sector demands with less inflationary pressure than would otherwise be the case.

Most evidence indicates, however, that these effects will occur very slowly. Sizeable effects on work and saving behavior require numerous individual citizens to change established habits. Furthermore, sizeable increases in the supply of productive capital take time to occur and require the use of existing capital as new machines must be built and the new structural steel must be produced and put into place.

What might be the magnitude of the supply responses once they do begin to occur? A survey and evaluation of the relevant literature was commissioned by this Committee last year. This concluded that the positive response of the labor supply to tax reduction is limited to married women, who account for only approximately 23 percent of the labor force. The amount by which saving might respond is very controversial. The most generous estimate (due to Professor Michael Boskin) indicates that the proposed tax reduction would increase personal saving by 12 or 13 percent or about $15 to $17 billion. But shifting this amount from consumption to investment would raise the capital stock by less than 0.4 percent in a given year. More rapid real growth with less inflation may be achievable in the long-run but it cannot be achieved overnight.

These long-term benefits of enhanced private sector production capabilities and less inflation must be weighted against the costs of government activities foregone. The merits or costs of the proposed cuts vary from case to case but it does appear that many of these cuts could be socially costly. These social costs range from delays in achieving some environmental protection objectives, to potentially serious reductions in medical care for the poor, to substantial disruption of employment and training programs with a resulting loss in our ability to make progress in countering structural unemployment. There may also be economic costs if the cuts result, as they are likely to do, in a less healthy, less educated, and less trained work force. These are serious costs which could be avoided by a more gradual and balanced approach to curtailing the role of government.

Mr. MUSKIE. I see no point in further analysis, because I think the real issue raised is the one I stated at the outset of my remarks: senatorial behavior. We face a great enemy inflation. We face the great senatorial inclinations of the past to just go each Senator's way and the threat to budgetary discipline that represents.

That is the issue.

I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

The Senator from Delaware.

Mr. ROTH. Mr. President, I yield myself 4 minutes.

First, let me say to the distinguished chairman and ranking member of the Committee on the Budget that no one appreciates better than I the difficult role that they have played. I congratulate them for the leadership that they have provided in the budget process.

I can only speak for one Senator, but I point out that I have continually attempted to hold down Federal spending by my vote. I think I am one of only two Senators to have gone to the Budget Committee and spell out in detail, early in the year, where I think spending restraints can be made. I have offered, on the Senate floor, proposal after proposal to do so. The mere fact that we have not succeeded in doing so does not mean that those of us who believe that this country should move in a different direction do not have a responsibility to provide an alternative budget.

Our spending restraint proposals merely restrain the growth of spending, rather than actually cutting spending. Total spending would still grow nearly $30 billion. A large portion of our spending savings can be achieved by reducing the need for welfare and unemployment spending. A tax cut will expand the economy, save jobs, and reduce the need to spend billions on these welfare programs. Let me state clearly our amendment would not reduce any social security programs or benefits for senior citizens. Our amendment seeks to reduce waste in the budget, not vital programs.

Mr. President, I feel very strongly that this country does have to change its direction. I feel very strongly that we need to develop a new, cohesive economic policy for the 1980's. Today, we are facing a disintegrating economy, with higher inflation, interest rates moving up, and with the economy moving down. I think it is about time that Congress and the Senate provided some leadership in getting this economy growing once again.

I know and appreciate the problems of getting spending restraints. But this Congress or some Congress in the future is going to have to set some new priorities. I am saying that the way to balance the budget is not on the back of the American taxpayers. I am saying that the way to break inflation is not by throwing millions of people out of work. If Republicans had proposed that a few years ago, we would have been laughed off the scene.

Now, whether a supplyside economy is new or not, I shall not argue with my distinguished chairman. I am saying that there is a growing consensus among liberals and conservatives, both in and out of Government, that it is essential that we take the steps now that will lead to real growth in productivity in the future.

I am not saying that what we are proposing today is going to correct all the problems overnight. I am saying that if we just continue in the way of the past, we shall be on the same roller-coaster next year and we shall hear the same arguments that we have heard this year and we heard last year and we heard the year before: We cannot cut spending programs because it is somebody's sacred cow.

What I am saying is, let us show some restraint on the part of Government, just as we are asking from the private side, so that we can improve savings, so we can improve production, so that we can have an economy that is moving upward, so that there is more money available to attack these serious problems in the public sector.

Mr. President, we have a chance to show that the Senate can lead. It can do so by showing some restraint on spending, so that we can make a significant contribution in tax cuts. I want to point out very clearly to the Senators that we are not saying what the tax cut mix should be. We leave that for future determination by the appropriate committees and the Congress itself. What we are asking is that we seize this opportunity and show that the Senate can lead rather than follow.

Mr. HARRY F. BYRD, JR. Will the Senator from Delaware yield for a question?

Mr. ROTH. I am happy to yield for a question.

Mr. HARRY F. BYRD, JR. The Senator from Virginia is not inclined to support a general tax reduction unless that tax reduction is accompanied by a corresponding reduction in Federal spending. Does the amendment offered by the Senator from Delaware provide for a reduction in spending which equals or exceeds the reduction in taxes?

Mr. ROTH. It does indeed, I say to the distinguished Senator from Virginia. In fact, our amendment will result in a smaller deficit than we now have as a result of yesterday's action. We would reduce the deficit by $4 billion.

What we are saying is that we should use spending restraints, dollar by dollar, if you want to call it that, so that we can enact the tax cuts. Next year, under our proposal, I say to the distinguished Senator from Virginia, who has been such a leader in trying to hold down Federal spending, we would have a balanced budget, plus we provide for a $15 billion tax cut in fiscal 1980, $35 billion in 1981, and $75 billion in 1982, with a balanced budget in 1981 and a $10 billion surplus the following year.

Mr. HARRY F. BYRD, JR. The Senator from Virginia feels that total Federal spending is too great. The Senator from Virginia feels that the total amount of Federal spending should be reduced. As I understand the amendment offered by the Senator from Delaware, there would be a reduction in total Federal spending?

Mr. ROTH. The Senator is perfectly correct.

Mr. HARRY F. BYRD, JR. Simultaneously with that, there would be a reduction in taxes, but the reduction in

taxes would not exceed and, in fact, would fall below the reduction in spending.

Mr. ROTH. That is correct.

Mr. HARRY F. BYRD, JR. As a result of that, if I read the figures correctly, and the Senator from Delaware I believe just stated, that there would be a smaller deficit in fiscal 1980. To state it another way Federal spending would be reduced by $19 billion, taxes would be reduced $15 billion—and the deficit would be $27 billion instead of $31 billion.

Mr. ROTH. That is correct.

Mr. HARRY F. BYRD, JR. I thank the Senator from Delaware.

The PRESIDING OFFICER. Who yields time?

Mr. MUSKIE. I yield myself 2 minutes. I would like to respond to the colloquy which has just been held.

May I say to my good friend, it is one thing to stand here on the floor and call for a cut in spending in order to make the record look good and another to propose a cut that is realistic.

The cut proposed here, as I indicated earlier, is just not achievable politically. On a piece of paper, yes.

What is being requested here is cuts of $16.1 billion, all in domestic programs, in addition to the $3.6 billion the Senate ordered yesterday. That is $20 billion.

Mr. President, I ask unanimous consent to have printed in the RECORD a table of the functions of the budget which would be impacted and the amounts, insofar as we can identify them under the Roth amendment, which is not altogether clear, which would be impacted under the Roth amendment.

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

ROTH-DANFORTH AMENDMENT OUTLAY CHANGES BY FUNCTION

[In billions of dollars, from second budget resolution]

	Function	Fiscal year— 1980	1981	1982
050	Defense	3.2	7.3	14.4
150	International affairs	−.8	−1.1	0
250	Science and space	−.3	−.3	−.3
270	Energy	0	0	0
300	Natural resources	−.3	−.2	0
350	Agriculture	−.1	−.5	−.5
370	Commerce and housing credit	0	−.3	−.4
400	Transportation	0	−.2	−.7
450	Community development	−.9	−.9	−1.2
500	Education and training	−2.4	−2.3	0
550	Health	−1.4	−2.3	−2.8
600	Income security	−6.9	−9.8	−6.0
700	Veterans	0	0	0
750	Justice	0	−.1	0
800	General government	−.1	−.2	−.4
850	General fiscal assistance	−.8	0	0
900	Interest	−1.1	−1.9	−1.3
920	Allowances	(−4.2)	(−4.2)	(*)
950	Offsetting receipts	0	0	0
	Total cut	−16.4	−17.0	+.8

Mr. MUSKIE. Mr. President, it would require, among other things, a reduction of $2.4 billion above that already in the reconciliation instruction in education, requiring changes in law.

It would require a reduction of $1.4 billion in health, requiring a change in law.

A reduction of $6.9 billion in income security, including social security, requiring a change in law.

The reconciliation instruction that the Senate directed yesterday modified the instruction to the Finance Committee by $300 million, because the chairman of the Finance Committee said $300 million in savings in social security was not achievable in the Finance Committee, of which the Senator from Virginia is a member.

Now to order an additional cut of $6.9 billion and seriously tell the country, with serious faces, that that is achievable?

We will vote for a tax cut because the amendment provides for a cut in spending?

Mr. President, I mean, how much cynicism can we bring to the legislative process and maintain the integrity of this political institution?

The American people are sick and tired of being fooled by politicians who tell them one thing and act another way—and I do not direct that comment to the sponsors of this amendment, I am directing it to this institution—and if we are going to try to go to the people as a result of today's activities, promising a reduction in the deficit of $4 billion on the backs of cuts like these, we are not playing straight with them.

We are not playing straight with them, and I will be willing to wager $100 to $1 that if the Senate adopts this amendment, the outlay cuts promised will not be achieved in this Congress—$100 to $1—because I know the formidable opposition such a proposal would face in the House-Senate conference and on the House floor, let alone the resistance it would run into around the country, once the full implications of what is proposed are made known to senior citizens, to people dependent on Government health programs, to schoolchildren, and the like.

All they are proposing is to transfer these resources from the beneficiaries—and I mean the real beneficiaries, not the deadbeats, the real beneficiaries of these programs—to taxpayers in the form of tax relief, and they are not the same people.

To tell me that is a realistic proposal in response to the question of the Senator from Virginia to justify a tax cut, to me, that is the height of political cynicism.

Mr. President, I reserve the remainder of my time.

Mr. DANFORTH. Will the Senator from Delaware yield me 1 minute?

Mr. ROTH. Yes.

Mr. DANFORTH. Mr. President, the question is not whether or not we will have a tax cut.

The question is how fast our Federal tax is going to be increased on the American people.

Are we going to increase taxes as proposed by the present form of the budget resolution——

Mr. MUSKIE. Will the Senator yield on my time?

Mr. DANFORTH. Of course.

Mr. MUSKIE. This resolution proposes a $55 billion tax cut in fiscal 1982.

Now, one can raise any questions he wants to about the feasibility of that, as I have about an outlay cut this year, but at least the resolution includes that, and I have not heard that mentioned in debate on this amendment up to this point.

Mr. DANFORTH. Mr. President, taxes go up under the present state of the law without any act of Congress.

Mr. MUSKIE. I understand.

Mr. DANFORTH. Taxes go up at a rate faster than inflation, social security taxes go up, the windfall profits tax is a tax which is going up, Federal tax revenues are going up, Federal tax revenues are going up every year.

Federal tax revenue is a percentage of gross national product and is going up every year.

Federal taxes will go up in 1980 and will go up again in 1981, even under the terms of the Roth amendment. There is no question that Federal taxes are going up. The only question——

The PRESIDING OFFICER. The Senator's time has expired.

Mr. DANFORTH. One minute more?

Mr. ROTH. Yes.

Mr. DANFORTH. The only question is how fast are they going up, how far are they going up?

I would just say in conclusion that one point that has really been missed, I think, in the press and the country as a whole, is that over and above any windfall profits tax, there is going to be a substantial increase in Federal tax revenue as a result of the decontrol of oil, depending on economic assumptions, the estimates are all over the place, but a minimum of $145 billion, which is a little bit over the President's total energy package, up to a maximum cf $480 billion over a 10-year period of time as a result of decontrol.

So we are looking at, probably, in the ballpark of about $100 billion over this 10-year period of time of extra tax revenue over and above the normal increases we have had in the past.

The PRESIDING OFFICER. The Senator's additional minute has expired.

Mr. MUSKIE. I yield myself 1 minute.

Of course, taxes are going up under the pressure of inflation. The Senator from Missouri tells me nothing new, does not tell the country anything new, does not tell the Senate anything new.

But he does not recognize, in the statement he has made, that the cost of living for social security recipients goes up, too. He would like the country to believe that we can cut taxes and still meet the rising cost of living of the senior citizen, because he proposes cutting $6.9 billion as though inflation has no impact on the costs of these programs.

I mean, let us give both sides of the story.

The only answer to this is to control inflation. That is the fight I have been waging for 2 days on this floor without much visible effect.

So, if we want to eliminate the force that is sending taxes up and also the force that is sending up costs to those on Government programs like social security and others, as well as costs to the Government itself, get at inflation, and do not come here promising a tax cut in the name of inflation, while cutting benefits programs like social security as though inflation did not exist.

This is what I call the height of political cynicism.

Mr. DANFORTH. Mr. President, if I might have 15 seconds, I am all for fight-

ing inflation by reducing the deficit. The Roth amendment would reduce the deficit below what it would be under the present version of this resolution.

Mr. BELLMON. Mr. President, will the Senator yield me 2 minutes?

Mr. MUSKIE. I yield.

Mr. BELLMON. Mr. President, I believe that Senator ROTH and Senator DANFORTH provide a service to the Senate by offering this option. I would like to believe that it is politically possible to do what they suggest, but my experience is that this is not the case.

What is certain to happen is what the chairman of the Budget Committee, Senator MUSKIE, has pointed out: If we undertake to adopt this amendment, which in effect is another massive reconciliation instruction, we simply are kidding ourselves, because it never will happen.

What is most likely to happen is that we will get a tax cut and we will get an enormous increase in our deficit of somewhere around $40 billion or $50 billion, and the cuts in spending will never take place. The result of this amendment would be enormously increased inflationary pressures.

Therefore, I am convinced that the only responsible course that Congress can take to get our budget in balance and to get that inflationary pressure reduced is to stay on the course that is set in this resolution, which puts us in balance in 1981, with a small surplus, and provides room in 1982 for a large surplus, which makes a tax cut of significant proportions possible, without adding to inflationary pressures.

Attractive as the idea is which is brought to us by Senator ROTH and Senator DANFORTH, the fact is that it is politically impractical, and I believe the Senate has no choice but to reject it.

I say to my two friends on this side of the aisle that the budget resolution we have before us represents responsible fiscal policy and that we would make a serious mistake if we departed from it. Therefore, I must oppose the amendment.

● Mr. HART. Mr. President, at this time I would like to offer my views on the proposal by Senator ROTH to the second budget resolution. Senator ROTH proposed to cut outlays by $17 billion in 1980, $19 billion in 1981, and $3.8 billion in 1982. Coupled with these spending reductions would be an immediate tax reduction of at least $30 billion. As I understand it, this proposal would result in a budget deficit in 1980 of about $26 to $28 billion and no deficit in 1981.

I basically agree with the direction Senator ROTH wants the budget to go. As my colleagues will remember, last fall and again this spring I proposed an amendment to reduce the rate of Federal spending, coupled with tax cuts designed to achieve budget balance in 1981. This proposal has now been integrated into the Senate budget resolution which plans for budgetary balance in 1981 and significant tax cuts thereafter. These tax cuts are achievable because of the planned reductions in the rate of Federal spending. I oppose Senator ROTH's plan, because of the severity of the cuts that would be required to allow tax cuts and budgetary balance in 1981. In particular, Senator ROTH would propose severe cuts in health of $3.3 billion, severe cuts in income security of $7 billion, and severe cuts in employment and training of $3.1 billion. I do not believe cuts of this magnitude can be made without significantly hurting people who are in need of Federal assistance. While I am committed to a balanced budget in 1981, I am also committed to the maintenance of Federal programs that are necessary for the health, welfare, and security of our citizens.●

The PRESIDING OFFICER. Who yields time?

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

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

The PRESIDING OFFICER. All time have been yielded back——

Mr. MUSKIE. Mr. President, I withhold that.

How much time do I have remaining?

The PRESIDING OFFICER. The Senator from Maine has 6 minutes and 10 seconds.

Mr. ROTH. Mr. President, if the Senator from Maine is not yielding back his time, I will retain my time. How much time do I have?

The PRESIDING OFFICER. The Senator from Delaware has 17 seconds.

Mr. MUSKIE. Mr. President, I yield the majority leader such time as he may need.

Mr. ROBERT C. BYRD. Mr. President, I support the responsible position of fiscal moderation which has been recommended by the Committee on the Budget. The committee, after extensive analysis of this question, decided that the most important problem facing this country is inflation. It adopted a budget which is aimed at fighting this problem—a budget of restraint and fiscal integrity.

At this time, it is my belief that tax cuts without offsetting spending cuts run the dangerous risk of fanning the flames of inflation. We have a moral obligation to squeeze this inflation from the economy before its rampant growth throws us into true economic turmoil.

I respect the argument made by some that we need to "stimulate" our way out of a recession. But it is not clear to me, nor is there a consensus among economists, that the economy will not correct itself without budget-busting tactics.

Unless we receive a clearer signal that a stimulative budget is appropriate and necessary, we must continue our present course of fiscal restraint. If we are not careful, we can talk our way into a recession.

Those who urge tax cuts accompanied by offsetting spending cuts have a responsibility to explain to the American people specifically which programs they expect to cut. Mr. President, the proponents of the pending amendment have failed to provide the specifics as to where savings can reasonably be achieved.

I want to cut spending. The Senate Budget Committee wants to cut spending, but like the committee, I want to know specifically which programs are going to be pared. Realistically, where do we get the money to fund a tax cut without adding to the deficit?

I do not feel we have a satisfactory answer to this question.

I therefore urge my colleagues to reject the pending amendment and to support the responsible position advocated by the Budget Committee.

Mr. MUSKIE. I thank the majority leader.

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

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

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

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. MCGOVERN) is necessarily absent.

Mr. STEVENS. I announce that the Senator from Texas (Mr. TOWER) is necessarily absent.

I also announce that the Senator from Vermont (Mr. STAFFORD) is absent on official business.

On this vote, the Senator from Texas (Mr. TOWER) is paired with the Senator from Vermont (Mr. STAFFORD).

If present and voting, the Senator from Texas would vote "yea" and the Senator from Vermont would vote "nay."

The PRESIDING OFFICER (Mr. DECONCINI). Are there any other Senators in the Chamber wishing to vote who have not done so?

The result was announced—yeas 36, nays 61, as follows:

[Rollcall Vote No. 295 Leg.]

YEAS—36

Armstrong	Garn	Pressler
Baker	Hatch	Proxmire
Bentsen	Hayakawa	Roth
Boren	Helms	Schmitt
Boschwitz	Humphrey	Schweiker
Byrd, Harry F., Jr.	Jepsen	Simpson
Cochran	Kassebaum	Stevens
Cohen	Laxalt	Thurmond
Danforth	Lugar	Wallop
Dole	McClure	Warner
Domenici	Nunn	Zorinsky
Durenberger	Packwood	
	Percy	

NAYS—61

Baucus	Gravel	Moynihan
Bayh	Hart	Muskie
Bellmon	Hatfield	Nelson
Biden	Heflin	Pell
Bradley	Heinz	Pryor
Bumpers	Hollings	Randolph
Burdick	Huddleston	Ribicoff
Byrd, Robert C.	Inouye	Riegle
Cannon	Jackson	Sarbanes
Chafee	Javits	Sasser
Chiles	Johnston	Stennis
Church	Kennedy	Stevenson
Cranston	Leahy	Stewart
Culver	Levin	Stone
DeConcini	Long	Talmadge
Durkin	Magnuson	Tsongas
Eagleton	Mathias	Weicker
Exon	Matsunaga	Williams
Ford	Melcher	Young
Glenn	Metzenbaum	
Goldwater	Morgan	

NOT VOTING—3

McGovern	Stafford	Tower

So the Roth-Danforth amendment (No. 445), as modified, was rejected.

The PRESIDING OFFICER (Mr. DECONCINI). The Senate will be in order. The bill is open to further amendment. Are there further amendments?

UP AMENDMENT NO. 563

(Purpose: To reduce spending and taxes)

Mr. ARMSTRONG. Mr. President, I send to the desk an amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The Senate will be in order. Senators will please take their seats, so that the Senator from Colorado may be heard.

The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Colorado (Mr. ARMSTRONG), for himself, Mr. DOMENICI, Mr. BOSCHWITZ, Mr. COCHRAN, Mr. DANFORTH, Mr. GARN, Mr. GOLDWATER, Mr. HATCH, Mr. HAYAKAWA, Mr. HUMPHREY, Mr. MCCLURE, Mr. ROTH, and Mr. SIMPSON, proposes an unprinted amendment numbered 563.

Mr. ARMSTRONG. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 5, strike out all the figures in section 2 of the Muskie substitute and insert in lieu thereof the following:

(a) the recommended level of Federal revenues is as follows:

Fiscal year 1980: $500,900,000,000;
Fiscal year 1981: $582,200,000,000;
Fiscal year 1982: $658,400,000,000;

and the amount by which the aggregate levels of Federal revenues should be increased or decreased is as follows:

Fiscal year 1980: $11,500,000,000;
Fiscal year 1981: $14,500,000,000;
Fiscal year 1982: $38,700,000,000;

(b) the appropriate level of total new budget authority is as follows:

Fiscal year 1980: $614,060,000,000;
Fiscal year 1981: $633,600,000,000;
Fiscal year 1982: $721,500,000,000;

(c) the appropriate level of total budget outlays is as follows:

Fiscal year 1980: $529,300,000,000;
Fiscal year 1981: $578,000,000,000;
Fiscal year 1982: $631,800,000,000;

(d) the amount of the deficit or surplus in the budget which is appropriate in the light of economic conditions and all other relevant factors is as follows:

Fiscal year 1980: —$28,000,000,000;
Fiscal year 1981: $0; +$3,600,000,000.
Fiscal year 1982: +$24,600,000,000;

(e) the appropriate level of the public debt is as follows:

Fiscal year 1980: $887,400,000,000;
Fiscal year 1981: $906,200,000,000;
Fiscal year 1982: $921,400,000,000;

the amount by which the temporary statutory limit on such debt should be accordingly increased is as follows:

Fiscal year 1980: $57,400,000,000;
Fiscal year 1981: $76,200,000,000;
Fiscal year 1982: $91,400,000,000.

On page 6, strike all the figures in section 3 of the Muskie substitute and insert the following:

(a) National Defense (050):
Fiscal year 1980:
(A) New budget authority, $141,200,000,000;
(B) Outlays, $130,600,000,000.
Fiscal year 1981:
(A) New budget authority, $159,800,000,000;
(B) Outlays, $145,600,000,000.
Fiscal year 1982:
(A) New budget authority, $180,400,000,000;
(B) Outlays, $163,300,000,000.
(b) International Affairs (150):
Fiscal year 1980:
(A) New budget authority, $129,000,000,000;
(B) Outlays, $8,100,000,000.
Fiscal year 1981:
(A) New budget authority, $13,800,000,000;
(B) Outlays, $8,500,000,000.
Fiscal year 1982:
(A) New budget authority, $14,900,000,000;
(B) Outlays, $8,700,000,000.
(c) General Science, Space, and Technology (250):
Fiscal year 1980:
(A) New budget authority, $5,700,000,000;
(B) Outlays, $5,600,000,000.
Fiscal year 1981:
(A) New budget authority, $5,800,000,000;
(B) Outlays, $5,700,000,000.
Fiscal year 1982:
(A) New budget authority, $5,600,000,000;
(B) Outlays, $5,700,000,000.
(d) Energy (270):
Fiscal year 1980:
(A) New budget authority, $41,000,000,000;
(B) Outlays, $7,000,000,000.
Fiscal year 1981:
(A) New budget authority, $4,700,000,000;
(B) Outlays, $7,600,000,000.
Fiscal year 1982:
(A) New budget authority, $24,200,000,000;
(B) Outlays, $9,500,000,000.
(e) Natural Resources and Environment (300):
Fiscal year 1980:
(A) New budget authority, $12,160,000,000;
(B) Outlays, $11,800,000,000.
Fiscal year 1981:
(A) New budget authority, $13,400,000,000;
(B) Outlays, $12,700,000,000.
Fiscal year 1982:
(A) New budget authority, $14,100,000,000;
(B) Outlays, $13,500,000,000.
(f) Agriculture (350):
Fiscal year 1980:
(A) New budget authority, $5,000,000,000;
(B) Outlays, $2,600,000,000.
Fiscal year 1981:
(A) New budget authority, $4,800,000,000;
(B) Outlays, $3,200,000,000.
Fiscal year 1982:
(A) New budget authority, $3,900,000,000;
(B) Outlays, $3,600,000,000.
(g) Commerce and Housing Credit (370):
Fiscal year 1980:
(A) New budget authority, $6,800,000,000;
(B) Outlays, $3,000,000,000.
Fiscal year 1981:
(A) New budget authority, $5,900,000,000;
(B) Outlays, $3,500,000,000.
Fiscal year 1982:
(A) New budget authority, $6,200,000,000;
(B) Outlays, $3,200,000,000.
(h) Transportation (400):
Fiscal year 1980:
(A) New budget authority, $18,600,000,000;
(B) Outlays, $17,600,000,000.
Fiscal year 1981:
(A) New budget authority, $20,800,000,000;
(B) Outlays, $18,800,000,000.
Fiscal year 1982:
(A) New budget authority, $20,400,000,000;
(B) Outlays, $20,800,000,000.
(i) Community and Regional Development (450):
Fiscal year 1980:
(A) New budget authority, $8,500,000,000;
(B) Outlays, $8,200,000,000.
Fiscal year 1981:
(A) New budget authority, $9,300,000,000;
(B) Outlays, $9,100,000,000.
Fiscal year 1982:
(A) New budget authority, $9,500,000,000;
(B) Outlays, $9,600,000,000.
(j) Education, Training, Employment, and Social Services (500):
Fiscal year 1980:
(A) New budget authority, $26,600,000,000;
(B) Outlays, $28,000,000,000.
Fiscal year 1981:
(A) New budget authority, $29,200,000,000;
(B) Outlays, $28,200,000,000.
Fiscal year 1982:
(A) New budget authority, $30,300,000,000;
(B) Outlays, $30,000,000,000.
(k) Health (550):
Fiscal year 1980:
(A) New budget authority, $57,200,000,000;
(B) Outlays, $52,700,000,000.
Fiscal year 1981:
(A) New budget authority, $68,300,000,000;
(B) Outlays, $59,200,000,000.
Fiscal year 1982:
(A) New budget authority, $82,100,000,000;
(B) Outlays, $68,100,000,000.
(l) Income Security (600):
Fiscal year 1980:
(A) New budget authority, $210,600,000,000.
(B) Outlays, $182,900,000,000.
Fiscal year 1981:
(A) New budget authority, $235,400,000,000;
(B) Outlays, $204,500,000,000.
Fiscal year 1982:
(A) New budget authority, $272,400,000,000;
(B) Outlays, $233,700,000,000.
(m) Veterans Benefits and Services (700):
Fiscal year 1980:
(A) New budget authority, $21,100,000,000;
(B) Outlays, $20,500,000,000.
Fiscal year 1981:
(A) New budget authority, $21,800,000,000;
(B) Outlays, $21,300,000,000.
Fiscal year 1982:
(A) New budget authority, $22,400,000,000;
(B) Outlays, $22,300,000,000.
(n) Administration of Justice (750):
Fiscal year 1980:
(A) New budget authority, $3,800,000,000;
(B) Outlays, $4,300,000,000.
Fiscal year 1981:
(A) New budget authority, $4,000,000,000;
(B) Outlays, $4,200,000,000.
Fiscal year 1982:
(A) New budget authority, $4,500,000,000;
(B) Outlays, $4,500,000,000.
(o) General Government (800):
Fiscal year 1980:
(A) New budget authority, $4,200,000,000;
(B) Outlays, $4,000,000,000.
Fiscal year 1981:
(A) New budget authority, $4,600,000,000;
(B) Outlays, $4,500,000,000.
Fiscal year 1982:
(A) New budget authority, $4,900,000,000;
(B) Outlays, $4,600,000,000.
(p) General Purpose Fiscal Assistance (850):
Fiscal year 1980:
(A) New budget authority, $9,400,000,000;
(B) Outlays, $9,400,000,000.
Fiscal year 1981:
(A) New budget authority, $8,400,000,000;
(B) Outlays, $8,800,000,000.
Fiscal year 1982:
(A) New budget authority, $8,200,000,000;
(B) Outlays, $8,200,000,000.
(q) Interest (900):
Fiscal year 1980:
(A) New budget authority, $58,100,000,000;
(B) Outlays, $58,100,000,000.
Fiscal year 1981:
(A) New budget authority, $60,900,000,000;
(B) Outlays, $60,900,000,000.
Fiscal year 1982:
(A) New budget authority, $62,300,000,000;
(B) Outlays, $62,300,000,000.
(r) Allowances (920):
Fiscal year 1980:
(A) New budget authority, —$6,500,000,000;
(B) Outlays, —$5,000,000,000.

Fiscal year 1981:
(A) New budget authority, —$5,500,000,000;
(B) Outlays, —$5,000,000,000.
Fiscal year 1982:
(A) New budget authority, $0;
(B) Outlays, $0.
(s) Undistributed Offsetting Receipts (950):
Fiscal year 1980:
(A) New budget authority, —$19,700,000,000;
(B) Outlays, —$19,700,000,000.
Fiscal year 1981:
(A) New budget authority, —$21,500,000,000;
(B) Outlays, —$21,500,000,000.
Fiscal year 1982:
(A) New budget authority, —$23,900,000,000;
(B) Outlays, —$23,900,000,000.

Mr. ARMSTRONG. Mr. President, may we have order in the Senate, please?

The PRESIDING OFFICER. The Senate will be in order.

The Senator from Colorado.

Mr. ARMSTRONG. Mr. President, one of the most interesting and meaningful legislative experiences that I have had has been the opportunity to serve the last 8 months as a member of the Senate Budget Committee.

Mr. DOMENICI. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

The Senator from Colorado may proceed.

Mr. ARMSTRONG. On many occasions, I have had reason to complain of various aspects of the legislative process and about the political process, but I must say that the Budget Committee has approached its work in preparing the first and second concurrent resolutions on the budget with a degree of seriousness and with an attitude which I think is commendable, and I really wish that some of our constituents at home could see how this has been handled. I think they would find it a source of reassurance.

I particularly, before discussing the amendment I am about to present, would take a moment to express my respect and admiration for the chairman of the committee, the distinguished Senator from Maine (Mr. MUSKIE), and to thank him not only for the standard of excellence which he has set for the committee, but also especially to thank him for the courtesy with which he has dealt with all of the minority members, and his fairness and evenhandedness in handling the work of the committee.

The PRESIDING OFFICER. The Senate will be in order. The Senator from Colorado will please suspend until order is restored. If Senators wish to carry on conversations, they will please go out into the hall or the cloakroom. The Senator is entitled to be heard.

The Senator from Colorado.

Mr. ARMSTRONG. To continue, Mr. President, it is a very easy thing to be courteous to those with whom you are in full agreement, but I especially compliment the chairman of the Budget Committee for, on a number of occasions when it has been my duty as I saw it to offer amendments which were in disagreement with the positions he was taking in committee and on the floor, the fairness with which he has heard my position, and his good humor on those occasions.

I also compliment the ranking Republican member of the committee (Mr. BELLMON), who has given those of us of the minority party the strongest and best possible leadership for which not only all the members of the minority are indebted to him, but I think everyone in this Chamber owes the Senator from Oklahoma a debt of gratitude.

Having said that, if the issue were merely one of admiration for the chairman and for the ranking minority member of the committee, I would not be here to offer this amendment to the resolution which they are bringing us, or if this were merely a desire to show solidarity with other members of the committee, I would be the first to close ranks, because I have the utmost respect and admiration for the members of the committee.

But in my estimation, the budget resolution now pending before the Senate is seriously flawed, to the disadvantage not just of the committee and of the Senate, but to the serious disadvantage of the Nation, so much so that I think that I would be doing less than my duty if I did not express my concern in the most vigorous possible terms.

During the last several months, the Senate has been receiving urgent warning signals from the national economy. Inflation is exceeding earlier estimates, prices are rising faster than at any time in the last 30 years, unemployment is rising, productivity is declining, and a recession is well underway.

Unfortunately, however, the Budget Committee does not seem to be paying attention, or at least let me say that those concerns are not addressed in the budget resolution which is now before us. The recommendations of the committee reflect little or no change from the earlier budget recommendation, despite a drastic change in the underlying economic conditions in the Nation.

The consumer price index rose at a seasonally adjusted annual rate of 12.7 percent during June, according to the Bureau of Labor Statistics. The June figures are the last in a long and tragic climb of inflation and tendency. The compounded rate for the second quarter of this year is 13.4 percent, compared with a rate of 10.9 percent for the prior 12 months. Obviously the rate of inflation is increasing.

The GNP price deflator, another measure of inflation, shows a similar upward trend. On August 2, the very day that the Senate Budget Committee ordered the second budget resolution reported with a deficit that is $5 billion larger than that contained in the first budget resolution, the Washington Post reported that a new economic forecast by the administration shows that inflation and recession are likely to be significantly worse than had been predicted just 30 days before. The forecast said the economy's output will decline this year by a sharper 1.4 percent, rather than a milder 0.5 percent earlier forecast. According to the report, inflation will average 11 percent during the fourth quarter of the year, and then ease down to 9 percent in 1980, rather than the 9.8 percent for 1979 and the 8.1 percent for next year which the White House had earlier predicted.

Unemployment is also, according to this report, predicted to rise. And now, just 6 weeks later, even those pessimistic predictions seem to be growing worse.

Unfortunately, the Senate Budget Committee's response has been surprisingly nonchalant under the circumstances. It seems to me it would have been logical if the committee had brought to the floor a package of recommendations aimed at restraining spending in order to control inflation, and to accommodate a supply side tax cut, which many economists feel is essential to spur capital investment and other business activities leading to the creation of new jobs, and thereby at least to moderate the recession before additional millions of working men and women are thrown out of work.

Regrettably, however, the committee has followed more a business-as-usual approach, and instead of finding means to restrain spending, the committee has recommended additional spending above the level approved earlier this year, with still higher deficits, as we talked about previously; and instead of providing for a tax cut, which I believe to be economically sound and which, in the opinion of a growing consensus, is politically inevitable in 1980, the committee has continued to provide for more spending and thereby made it even more difficult to cut taxes.

In my opinion, a wiser course would have been for the committee to carefully examine the budget, function by function, and find ways where programs could be curtailed, where programs already scheduled to be phased out can be phased out more rapidly, and to see where reasonable reductions could be made. In other words, if the committee had gone through the budget, it could have, I believe, made the savings necessary to preserve a balanced budget for 1981, to hold the line in 1980, and to accommodate a tax cut.

The amendment which my colleagues and I, particularly the Senator from New Mexico and I and several other members of the committee and of the Senate, have offered does precisely that. In summary, the pending amendment first accommodates the defense increases adopted yesterday by the Senate; second, it cuts total outlays in the resolution for fiscal year 1980 by $16.8 billion; third, it cuts total outlays for fiscal year 1981 by $17.1 billion; fourth, it permits tax cuts in both calendar years 1980 and 1981, for a total of $51.7 billion in tax cuts during the biennium; and fifth, it balances the budget.

The need for this, it seems to me, is very clear. Inflation has pushed the taxpayers into higher and higher brackets. Americans have seen their total tax bill triple in the last decade, and a typical family today pays more in taxes than it pays for food, clothing, shelter, or the combination of all of those components of the cost of living.

During the consideration of the previous amendment offered by Senator ROTH and Senator DANFORTH, we had a full discussion of the implications of a tax cut; and I believe the need for a tax

cut on macroeconomic grounds is well proven.

But with the economy turning down, the jobless rate rising, and increased pressure from every direction, it seems to me a tax cut is almost inevitable, and after reading the published statements of many Senators, I am increasingly convinced what whether or not you feel, as I do, that a tax cut is desirable, a tax cut is becoming increasingly likely in 1980.

The question then comes down to how we are going to finance it. Unless spending is reduced, as recommended in the pending amendment, the only way to cut taxes in 1980 will be to increase the deficit. With inflation running at an annual rate of over 12 percent, when you think of the inflationary consequences of allowing the deficit to go up, I think that is an acceptable choice.

The responsible course is to slow the rate of spending increases now to accommodate the needed, probably inevitable, tax cuts of 1980 and still permit a balanced budget in 1981.

Mr. President, in just a moment, I should like to yield to others who wish to speak on this subject, but I want to respond quickly to four questions that arise when you present a tax and spending cut amendment of this kind. First of all, where will we cut? My colleague (Mr. DOMENICI) and I have distributed, and I think there is available on every desk, a detailed summary of where we want to cut. These are not boxcar cuts or meat-ax cuts. These are a function-by-function, carefully worked out analysis of where responsible cuts can be made.

Second, are these drastic cuts? The answer to that is that they are not drastic cuts. In fact, in all but four of the functions addressed in our amendment, while we are cutting below the recommended figures of the Senate Budget Committee, we are actually permitting spending that is higher than in the current fiscal year.

In a few cases, we are cutting below the current year's figures. In those instances which are detailed in the minority views of the report of the committee, the cuts are well justified. The cuts, in my judgment, are long overdue for policy reasons, not just as a matter of budgetary approach.

Let me also respond to a question which someone might well ask: Where do these cuts come from? Are these just ideas that ARMSTRONG and DOMENICI and some others came up with? Are they off the wall?

I will admit that the temptation to include in this proposal some pet theories of my own was very strong, but I have restrained myself from doing that. What are included in this list of proposed reductions are primarily, almost exclusively, recommendations of the Senate Finance Committee, of the Office of Management and Budget, the Department of HEW, and the General Accounting Office. In other words, these are well-recognized, well-documented proposals to cut, many of which are cuts that have actually been adopted by the Senate on one occasion or another, but which unfortunately have not yet been adopted by the House.

Finally, a question which arises whenever we talk about cutting taxes and spending: Is it politically feasible? I have heard it said on this amendment and prior amendments, well, it sounds good but it is never going to happen. I am a lot more optimistic than that. I think it is going to happen. I do not know whether it is going to happen this morning. I hope so. I think it has a chance. I think an amendment like this deserves support, deserves to be brought to the floor, whether it is going to happen or not. I think it deserves to happen. To take an attitude, "Well, it is just too tough to restrain spending, it cannot be done, it is not practical," overlooks our duty.

I think this amendment is right. It is right on economical grounds and in terms of the kind of leadership signal it sends to the country.

I think it can happen. I have noticed, in the last 2 months, the Senate adopting amendments which would have been thought an impossible dream 2 years ago or 5 years ago. Times are changing in this country and this amendment is part of what I consider to be a very hopeful and constructive change.

Mr. DOMENICI. Mr. President, will the Senator from Colorado yield 10 minutes to me?

Mr. ARMSTRONG. May I ask, Mr. President, how much time I have remaining?

The PRESIDING OFFICER. The Senator from Colorado has 39 minutes.

Mr. ARMSTRONG. Let me yield 20 minutes to the Senator from New Mexico.

Mr. DOMENICI. I thank my good friend.

Mr. President, I shall yield myself 5 minutes so I can be advised when I have reached that point.

Obviously, Mr. President, I join in the opening comments that my good friend from Colorado made with reference to our distinguished chairman and ranking member and the diligence with which the Budget Committee is attempting to carry out its purposes. But I think I would be remiss if I did not add to that that the Budget Committee of the U.S. Senate is certainly a much stronger place, the committee is a much stronger committee, and the institution called the Senate a stronger institution because my good friend from Colorado has joined us.

I say to him that his work on the Budget Committee, whether or not the majority agreed, indeed was worthwhile. I know that he feels that he contributed to it. If he does not, he should.

Having said that, Mr. President, let me say that the good Senator from Colorado (Mr. ARMSTRONG) and I, in the spring of this year, when this resolution came to the floor, said much the same things we are saying today. We asked the Senate to do much of what we are asking them to do here today. We had to do a little bit more predicting than we do today, because now the facts have evolved and I think anyone who wants to read the record of the dollar-for-dollar approach that we offered in the spring—that is, $1 of budget cuts for $1 of tax cuts—will find that what we said was going to happen is happening, and now the only thing left is the following: Will the U.S. Congress effect a major tax cut before the budget of 1980 has totally reached fruition and carried itself out? If they are going to, then we have deceived the American people, because we are, indeed, going to cut taxes and increase the deficit, but we do not want to do it now. We want to wait a while and take it up all by itself, when the economy has reached a point where we cannot avoid it and the extent of the tax cut will be directly reflected in 1980 as an increase in the deficit.

We predicted that and said we should not let that happen.

Today I am most pleased to support Senator ARMSTRONG in an approach which is basically recognizing the fact we are going to have significant tax cuts in 1980 and 1981—I will say why in a moment—and that if we are going to do that, we ought to provide for it in this budget, and if we are going to do that we ought to keep faith with what the American people have been telling us, and that is to cut the budget if we are going to cut taxes.

For those who say it cannot be done, should not be done, I submit that the detailed remarks and explanation of this proposal deserve a careful scrutiny, and we will find it could, indeed, be done and it would not hurt any American program.

Quite to the contrary, it might help the one institution in this country that is in desperate need of assistance. That is the productive genius of America, all the way from its individuals, to its business, to its entrepreneurs.

What is happening to this country is this, and I will use an analogy, that the American economic system is a huge, prolific, beautiful, golden goose that lays golden eggs that its people participate in, and it has been doing that for years.

What is happening is that we tied the hands, and the feet, and the neck of this beautiful bird and we wonder why it is not producing.

The reason it is not producing is that its productivity is made up of small businessmen, large businesses, average Americans, middle-income people, hard working men and women.

Mr. President, they are all beginning to give up because they do not believe their Federal Government is capable of controlling the Federal Government's vociferous appetite to take taxes and take resources from them and to invent new programs and places to throw this money in total disregard for the constant depletion of the energy of the American people, their genius, their willingness to get ahead and work.

What we are saying loud and clear here today is that unless that enterprise of our people and the energy of the enterprise of our people is rekindled, there is no hope for social programs that will solve our problems.

The basic system is a system of work and get ahead, of invest and make a profit. When we wilt those to the point they are almost neutral in this society, we better turn it around or we can talk about social programs forever and nothing will come of it.

Having said that, let me talk for a moment about taxation, and if we do not cut the taxes of the American people. I will read from table 1, page 145, of the report that accompanies the second concurrent resolution. Tax increases facing the American people.

Mr. President, they already feel they are overtaxed. I believe I have given an ordinary citizen's explanation of what our Government's budget policies and tax policies are doing to them. If they think that is the end, then let me just read quickly—1981, if we do not make some changes, social security tax increases $14.7 billion in the calendar year.

Total tax increases caused by inflation. If we do not do anything to cut taxes, calendar year 1981, $47.6 billion increase.

We add those two together and get well over $60 billion in increases to be imposed on the shoulders of the American people by way of taxes.

We are still here on the floor today saying the state of the economy, the things we know about what is happening in our country, do not permit us to cut the budget and cut taxes at the same time and give back to the American people some assurance that it is, indeed, worthwhile for them to try to get ahead.

That is the issue. Is it worthwhile, and do we, as a Nation, want hardworking people, innovative, ingenious people who want to work and invest, do we want them to?

One way to show support is to cut their taxes and change our tax policies so we promote what makes America grow and what will make that prolific economic machine I have just described begin once again to produce for all Americans.

Mr. President, I know there are a number of Senators who support the Armstrong-Domenici approach here today, and I know there are many who support it in principle, but are concerned that they really cannot vote for it because it is significantly different from the budget.

Let me say this to them. This is an opportunity for them to tell the Budget Committee they want a change in American policy. I do not think they ought to expect that every major change is perceived by committees of this Senate. I think Senators perceive the need for change from their people and from their country, and the vibrations that are out there among the average men and women.

I submit that if the question were asked, "Yes or no, is there a need to change the policy of this country with reference to taxes and with reference to the growth of Federal spending?" we would all vote "yes."

Well, we are offering an opportunity in a fairly tangible way to vote "yes" on the change in direction now.

Senator ARMSTRONG has stated the economic facts. He has not exaggerated them. They call for drastic action. That is what this will permit us to vote on because it will change our policy drastically.

But, Mr. President, it will not hurt anyone. Programs will not be seriously damaged, and the average American man and woman that we want to undertake to move this country ahead will, indeed, be affected.

We will not affect the beneficiaries of the Federal programs, but we will, indeed, positively affect those who make the benefits available both to themselves and to those in need.

Having said that, I do not need any more time, and if there is any remaining I want to yield it back after commending my good friend from Colorado for his effort in bringing this very significant opportunity to the U.S. Senate, to vote for a dollar of budget cuts and a dollar of tax cuts.

In this case, we are saying this dollar-for-dollar approach can reasonably yield about $16 billion in cuts and $16 billion in tax relief, and then in 1981 a more significant tax cut.

I urge that those concerned about the economy of our country support this proposal.

Mr. President, I thank my good friend from Colorado.

Mr. ARMSTRONG. Mr. President, I very much appreciate the statement of the Senator from New Mexico. I compliment him for his insight.

I must admit to the group that the effort which we are undertaking today is really largely his initiative because he has been fighting that battle in the Senate Budget Committee for a long time, and it has been an uphill fight. But I say to the Senator that it is a fight we are going to win, perhaps today. I think we are getting closer every day. If we do not win it today, it will be soon.

I yield to the Senator from Iowa.

Mr. JEPSEN. Mr. President, I would like to address the question of whether a tax cut next year is compatible with the goal of a balanced budget in 1981. The Senator from Maine (Mr. MUSKIE) has been an eloquent spokesman for the view that we cannot cut taxes without jeopardizing the prospects of a balanced budget in fiscal 1981, as envisioned by this budget resolution, and that a balanced budget is critical to fight inflation.

Mr. President, as a member of the Joint Economic Committee I have participated in numerous hearings over the past several months on the state of the U.S. economy. Unfortunately, the news is not good.

Unemployment is expected to rise.

The growth in gross national product and personal income is already slowing down.

And every indication is that the economy is in the early stages of a recession which will hit hardest next year.

Moreover, inflation is expected to continue at present high rates.

In the past, Congress has responded to the prospects of a recession by establishing massive public works and jobs programs and stimulating the economy by increasing the budget deficit. I am gratified that the Congress is not responding to the current recession in the same manner. However, I still believe that a tax cut is justified and, if it is the right kind of tax cut, will aid, rather than hinder, the prospects for a balanced budget as soon as possible.

The main reason why I feel that a tax cut is justified is because of the massive tax increase taking place daily, as people are pushed up into higher and higher tax brackets, and because of the legislated social security tax increase. Recently, the Joint Committee on Taxation estimated the magnitude of these tax increases, and the numbers are staggering. Assuming an inflation rate of 10.6 percent in 1980 and 9.3 percent in 1981, income taxes will increase $15.6 billion in 1980 and $32.9 billion in 1981. Social security taxes will increase $600 million next year and $14.7 billion in 1981. Thus, the total tax increase amounts to $16.2 billion next year and $47.6 billion in 1981.

I should point out that this inflation tax increase of which I speak is not just a current phenomenon. It has been going on for years and the Congress has not adequately adjusted for it. Although taxes have been cut frequently they were illusory, because they barely compensated for tax increases in dollar terms, and because these tax cuts have been shaped in such a way that people in the lower end of the income scale benefited at the expense of upper income taxpayers. Unfortunately, because of inflation, last year's high income has become today's median income, and thus many people now find themselves affected by high marginal tax rates thought to be reserved only for the "rich."

I am including in the RECORD at this point two tables which illustrate my point. The first shows the effective Federal tax rate for a family of four earning the median income from 1965 through 1981. In 1965 the median family earned approximately $8,272 per year and paid $789 in social security and Federal income taxes. This came to 9.5 percent of income. By 1981, on the other hand, the median income will be $22,456. Keep in mind that the buying power of $22,456 in 1981 is no greater than $8,272 was in 1965. Nevertheless, the median family will pay $3,924 in Federal taxes in 1981 and this will constitute 17.5 percent of its income.

Along with this massive increase in effective tax rates there has been a massive erosion of incentive. Not only are individuals paying more total taxes they are paying far more out of each additional dollar they earn today than they were in 1965. The second table shows that the number of taxpayers affected by high marginal tax rates is increasing dramatically. In 1965 a mere 1.3 percent of taxpayers were affected by tax rates above 30 percent. In the most recent year available, 1976, more than eight times as many taxpayers were affected by such rates. In 1965 only 4.9 percent of taxpayers were affected by tax rates above 25 percent. By 1976 this number had increased to more than a third of all taxpayers. In 1965 only 12.7 percent of taxpayers were affected by tax rates above 20 percent. In 1976 over half of all taxpayers were affected.

I ask unanimous consent that the tables be printed in the RECORD.

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

TABLE I.—FEDERAL INCOME AND SOCIAL SECURITY TAXES FOR A FAMILY OF 4 WITH $17,105 IN 1975[1]

Year	Income	Federal income tax	Effective income tax rate	Social security tax	Federal income and social security taxes	Effective Federal tax rate
1965	$8,272	$615	7.4	$174	$789	9.5
1966	8,509	649	7.6	277	926	10.9
1967	8,754	685	7.8	290	975	11.1
1968	9,122	[2] 794	8.7	343	1,137	12.5
1969	9,612	[3] 891	9.3	374	1,265	13.2
1970	10,181	[4] 896	8.8	374	1,270	12.5
1971	10,618	919	8.7	406	1,325	12.5
1972	10,969	933	8.5	468	1,401	12.8
1973	11,651	995	8.5	632	1,627	14.0
1974	$12,929	[5] $1,063	8.2	$756	$1,819	14.1
1975	14,111	1,234	8.7	825	2,059	14.6
1976	14,925	1,308	8.8	873	2,181	14.6
1977	15,888	1,471	9.3	929	2,400	15.1
1978	17,105	1,678	9.8	1,035	2,713	15.9
1979	18,918	1,838	9.7	1,160	2,998	15.8
1980	20,678	2,123	10.3	1,268	3,391	16.4
1981	22,456	2,431	10.8	1,493	3,924	17.5

[1] Assuming that income changes as does the consumer price index and that deductible expenses are 23 percent of income, The CPI is assumed to rise by 10.6 percent in 1979, by 9.3 percent in 1980, and by 8.6 percent in 1981.
[2] Including a $55 surcharge.
[3] Including a $81 surcharge.
[4] Including a $22 surcharge.
[5] Including a $118 tax rebate paid in May 1975.

Source: Joint Committee on Taxation.

TABLE II.—PERCENT OF TAXABLE RETURNS CLASSIFIED BY HIGHEST MARGINAL RATE AT WHICH TAX WAS COMPUTED

Marginal tax bracket	1965		1975		1976	
	Percent of taxable returns	Cumulative percent	Percent of taxable returns	Cumulative percent	Percent of taxable returns	Cumulative percent
60 to 70	0.1	0.1	0.2	0.2	0.3	0.3
50 to 59	.3	.4	.9	1.1	1.0	1.3
40 to 49	.4	.7	1.3	2.4	1.6	2.9
30 to 39	1.3	2.0	6.3	8.7	8.1	11.0
25 to 29	4.9	7.0	20.3	29.0	22.6	33.6
20 to 24	12.7	19.6	24.2	53.3	23.9	57.6
14 to 19	80.4	100.0	46.7	100.0	42.4	100.0

Source: Internal Revenue Service, "Statistics of Income, Individual Income Tax Returns."

Mr. JEPSEN. Mr. President, I believe that these massive tax increases are responsible for many of our Nation's economic problems. For example, high tax rates reduce the trade-off between savings and consumption. As a result, we have less savings and more consumption than we should. The reduced rate of savings, in turn, affects the growth of our Nation's capital stock, the tools and equipment of production. When our workers do not have the most modern and efficient tools to work with their productivity falls. Thus it is not surprising that the productivity rate today is far below that of the 1950's and 1960's and is, in fact, falling. The following tables show the effect of inflation and taxation on the incentive to save and the decline in productivity growth, and I ask unanimous consent that they be printed in the RECORD.

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

AFTER-TAX "REAL" RETURNS TO SAVING

[In percent]

	Savings account		Corporate bond	
	1960-62	1977-79	1960-62	1977-79
Interest rate	3½	5¼	4.0	8.9
After 30 percent tax rate	2.5	3.7	2.8	6.2
Inflation rate	1.2	9.0	1.2	9.0
Real after-tax return	1.3	−5.3	1.6	−2.8

Source: Morgan Guaranty Trust Co.

PRODUCTIVITY AND REAL HOURLY COMPENSATION GROWTH

	Annual rates of growth		
	1948-65	1965-73	1973-78
Hourly compensation	4.6	5.5	9.0
Productivity	2.6	2.0	.8
Unit labor costs	1.9	4.6	8.1
Consumer Price Index	1.6	4.4	8.0
Productivity	2.6	2.0	.8
Real hourly compensation	2.9	2.1	.9

Source: U.S. Department of Labor, Bureau of Labor Statistics. Hourly compensation and productivity series are for the nonfarm business sector. Real hourly compensation is hourly compensation deflated by the Consumer Price Index.

Mr. JEPSEN. Mr. President, the point I am making is that if we do not reduce taxes in order to balance the budget and fight inflation, we may end up with an unbalanced budget and higher inflation anyway with higher taxes to boot.

The way I see it, we can fight inflation one of two ways. The first way is the traditional way, through fiscal and monetary restraint. Unfortunately, the effect of withdrawing stimulus to the economy is much the same as the effect of withdrawing liquor from an alcoholic; namely, severe pain. Treasury Secretary Miller tells us that this pain is necessary and that our country must suffer through a prolonged period of austerity in order to end inflation.

Another way to fight inflation, a new way, is to approach the problem from the supply side of the economy. If inflation means too many dollars chasing too few goods then obviously you can fight inflation either by reducing the number of dollars in circulation, as the administration is attempting to do, or by increasing the quantity of goods through tax reduction. I think the latter course is the better one to take. As Dr. Michael Evans recently testified before the Joint Economic Committee:

> While another old-style tax cut, designed primarily if not exclusively to stimulate consumption, would raise the growth rate by about ½% next year, it would do nothing to attack the fundamental underlying problem of decreased productivity. What is needed is a new-style tax cut which will increase productivity, which is the key to reducing the long-term inflation rate.

This kind of thinking, which I call supply-side thinking, is gaining greater support every day, in contrast to old-fashioned Keynesian economics. In fact, in what was one of his last appearances before a congressional committee, Treasury Secretary Blumenthal strongly endorsed supply-side economics. As he told the Joint Economic Committee:

> For decades we have operated on a consensus—that the major economic policy concern of governments should be to manage aggregate demand to smooth out swings in the business cycle and assure steady increases in income and employment. The supply side of the equation was largely neglected, assumed to take care of itself and respond to changing demands.
>
> This assumption no longer holds. The supply side is not responding. Productivity is lagging badly—in the U.S. productivity growth in the past five years has only been about half what it was in the 1950s and 1960s. Government spending has taken a growing share of income, and shifted away from capital construction and defense toward income transfers. Effective tax rates have escalated sharply. Tax structures and levels are such as to stultify innovation and risk taking. Industry is bound in a shifting web of regulations. Indexation, formal and informal, tends to fix relative prices and weaken incentives for movement of resources between industries and sectors.
>
> We need, in short, to reorient economic policy to concentrate more heavily on the supply side, to reduce rigidities and inefficiencies that create supply constraints throughout the economy. This task involves rebuilding our capital stock, reinvigorating productivity growth, reducing structural unemployment—all on top of creating a new base for the energy needs of the economy.

For these reasons I feel that a tax cut, if it is strongly oriented toward increasing supply rather than demand, would be very good for the economy right now and would aid, rather than hinder, the fight for a balanced budget and reduced inflation.

Mr. President, I thank the Senator from Colorado (Mr. ARMSTRONG) for giving me some of his time.

Mr. ARMSTRONG. I thank the Senator from Iowa for his contribution to this discussion and his contribution to the development of the ideas which are contained in this amendment.

I alluded earlier to the fact that times are changing in the country, and there is a new spirit, a new realism toward the economic facts of life. The presence in this Chamber of the Senator from Iowa (Mr. JEPSEN) is representative of the kind of constructive, wholesome, healthy

change that is taking place. I thank him and compliment him for his participation.

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

The PRESIDING OFFICER. Twenty-three minutes.

Mr. ARMSTRONG. I reserve the remainder of my time.

Mr. BELLMON. I yield myself 5 minutes.

Mr. President, the amendment of the Senator from Colorado is very much like the amendment just offered by the Senators from Delaware and Missouri. That amendment was defeated by a vote of 61 to 36.

As I said earlier, I am very sympathetic to the need to reduce Federal spending in order to provide substantial tax reductions and to maintain budget discipline. But I have become a political realist during the years I have been in the Senate, and I have become convinced that the only way we are actually going to get the budget in balance is to hold the line against any new Federal spending programs and against the temptation to cut taxes prematurely, to get the budget in balance in 1981, and in 1982 have room for a substantial tax reduction, even more than has been proposed here this morning.

The fact is that if we undertake now to reduce taxes on the strength of a proposed reduction in spending, we are going to get half a loaf. We will get the tax cut, but we will not get the reduction in spending. It was very difficult to get the Senate to agree to go along with the relatively small reconciliation vote we had yesterday, and the idea of a larger cut in spending programs simply is not politically acceptable, as I read the mood of the Senate.

If we were to adopt this amendment, I am afraid that we would get the tax cut, but the offsetting spending reductions would not be achieved, and we would wind up with a deficit that would go up to $37 billion for fiscal 1980; that in 1981, unless some other changes are made, the deficit would be close to $50 billion.

Mr. President, deficits that large, in times when we already have inflation running at more than 13 percent, would make our inflationary problems more serious and would quickly rob the American taxpayer of the purchasing power of his earnings, and it would quickly eliminate any benefits this tax reduction would have accomplished.

We have to be careful not to assume that policies to improve the supply side of the economy will have immediate effects, and this is an assumption that the sponsors of the amendment make in their reflow calculations. Changes in the structure of the economy take time, so that additions to demand will tend to be inflationary. Conversely, if we do not add to demand, the policies will not be stimulative in the very near future.

As is the case with the Roth amendment, the Armstrong amendment is something like a huge reconciliation instruction. Much of the fiscal year 1980 reduction would affect spending already reported or enacted, and it would be extremely difficult politically to get that job accomplished.

So, in my opinion, the reductions in spending which this amendment calls for, while they might be desirable, simply are not going to happen.

It is subject to the same problems we discussed in connection with the Roth amendment.

It is for that reason that I am concerned that all we are talking about here is a tax cut and not really a cut in spending. If this amendment should be adopted, the net result would be an enormous increase in our deficit and a similar increase in inflation.

I believe Senator ARMSTRONG does us a service to bring this amendment to us, because I think we need to keep pressure on the spending side, and I join him in that objective.

As a political realist, I think it is best to stay with the resolution and stay on track until 1980 and give us room for a tax cut in 1982.

I was home during the recess, as was the Senator from Colorado, and I did a great deal of talking and listening to my constituents. I am convinced that, at least in Oklahoma, our constituents are willing to go along with the present tax burden, in the anticipation that we will balance the budget in 1981, and that then we can have the tax reduction in 1982 that they all deserve and feel entitled to; and at that time, we can have it without increasing the inflationary pressures.

So, Mr. President, I must oppose the Armstrong amendment.

The PRESIDING OFFICER. Who yields time?

Mr. ARMSTRONG. I yield myself not to exceed 5 minutes.

Mr. President, I should like to respond briefly to the Senator from Oklahoma. I think he has stated correctly the way we can get this budget in balance, and that is by controlling new spending.

I think that, with rare exceptions, it is not realistic and not politically feasible to talk about making large reductions in existing programs that have important constituencies.

I do not mind saying that there are programs I could cheerfully abolish, and I have advocated that, and I have been completely candid with my constituents.

I have said to them, "I want to abolish CETA. I want to abolish Conrail. I want to get rid of some of these programs." But that is not what this amendment would do.

I ask if the Senator from Oklahoma would reconsider his thoughts on this amendment, particularly with respect to the relationship between what we are proposing and present spending levels; because I stress that we are not talking, with a handful of exceptions, about reducing present spending levels.

Under this amendment, if it is adopted, we are talking about an increase in spending for function 050, national defense, an increase in function 150, international affairs; increasing, not cutting, function 250, general science, space and technology. We are talking about an increase in function 270, energy, and in natural resources and environment, function 300.

We are talking about a decrease in function 350, which is the agriculture function.

The number recommended in the Armstrong-Domenici amendment is actually a substantial reduction over the present spending level, but it is the same number which is recommended in the resolution sent to the floor by the committee.

The reduction arises simply as the result of improved crop prices and a projection of what will be necessary to fulfill the needs. So there is a cut there, but it is a cut about which there is no controversy so far as I am informed.

We are talking about an increase, a fairly substantial one, in function 370, commerce and housing credit, under my amendment. We are talking about increasing function 400, transportation. We are talking about an increase in function 450, community and regional development. I beg your pardon. I misspoke myself. That is one of the four which we are not increasing. We are talking about an increase in the health function. We are taking about increasing income security. We are talking about an increase in veterans. We are talking about an increase in function 750, administration of justice. We are talking about an increase, and a substantial one, in function 850, which is general purpose fiscal assistance for the States; that is revenue sharing.

We are talking about a cut, and I must say a cut that I am proud of, in function 800. We are talking about a cut of 0.2—that is, $200 million in that function, and $100 million of that is for the construction of the Philip Hart Office Building over here on the corner which must be one of the most prominent examples of Government waste and extravagance ever to come down the pike. I think that should be cut. My own belief is we should leave that office building standing there unfinished perhaps forever but at least for a number of years and that the greatest thing we can do would be to leave it there as a monument to the fact there is at least a stomach-turning point at which we are going to stop spending money.

The other cut of interest 0.1, of $100 million, in this function, is a cut in the $1 billion operation of Congress itself, and it is largely symbolic. It is a cut we can easily accommodate. I thought if we are going to preach to the country a gospel of restraint perhaps the place to start would be with Congress itself.

Let me again say to my friend from Oklahoma and others this is not a tight budget proposal. This is not a series of drastic cuts. In fact, with a handful of exceptions, it is not a cut at all. It is actually an increase over last year and the only distinction between what the Budget Committee brought and Senator DOMENICI and I brought to the Chamber is we are not letting spending rise as rapidly as the Budget Committee. We are following exactly the prescription which the Senator from Oklahoma himself recommended, that is to say, you cannot cut out existing programs for the most part but just slow the rate of increase in spending, so I think this is a moderate and commonsense approach.

Mr. BELLMON. Mr. President, will the Senator yield for a question?

Mr. ARMSTRONG. I yield.

Mr. BELLMON. As I understand the information we have relating to the Armstrong amendment, function 600 would be cut by some $6 billion. That is the income security function.

Mr. ARMSTRONG. No. If I may refer the Senator to the functional summary, there will be a reduction from what is recommended by the Budget Committee but actually an increase of some $21 billion over the current year.

Mr. BELLMON. The Budget Committee resolution does not anticipate any new spending programs. It simply makes room for the lawfully mandated cost-of-living adjustments in the income security function.

The PRESIDING OFFICER. The Senator's 5 minutes have expired. Does the Senator yield himself more time?

Mr. ARMSTRONG. Yes, I am happy to.

Mr. BELLMON. We have plenty of time. I am glad to yield 2 minutes.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield to me for a request at this moment?

Mr. ARMSTRONG. I yield.

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

This request is very pertinent at this time.

Mr. President, I ask unanimous consent that any rollcall vote ordered on this amendment and other amendments to follow in relation to the motions, et cetera, begin at the hour of 2:15 p.m.; the first rollcall vote is ordered to begin at the hour of 2:15 p.m., and any subsequent rollcall votes be ordered back to back thereto.

Mr. MUSKIE. Could we provide that the second and third votes be 10-minute votes?

Mr. ROBERT C. BYRD. Yes. I add that to my request.

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

Mr. ROBERT C. BYRD. I thank all Senators.

Mr. BELLMON. Mr. President, the point of my question is that the Senator from Colorado has been saying his amendment does not contemplate actual cuts and that really it is a substantial add-on from the 1979 budget level, and that simply is not the case. If we were to accomplish the $6-billion reduction from the budget resolution that the amendment of the Senator from Colorado recommends, we would have to amend the law and reduce the spending for all the income security programs below the cost-of-living levels presently mandated. I think that point should be made.

Mr. ARMSTRONG. I think we can agree that the amendment which Senator DOMENICI and I have recommended is in fact a $21-billion increase over last year. I think the Senator's point is correct, that it would require program changes to hold the rate of increase in spending to a $21-billion increase. The justification for the program changes, that is, the changes in existing programs that are required, are detailed beginning at page 163 of the committee report.

In my opening remarks I pointed out that these were not off-the-wall suggestions that someone had thought up on the spur of the moment. The proposed changes which are incorporated in the Armstrong-Domenici amendment are, with very few exceptions and none I think in function 600, changes that have been recommended by such agencies as HEW, the Senate Finance Committee, and the General Accounting Office, so the assumption underlying our figures is simply we are going to enact the needed reforms which have been agreed to by these groups and even then, even with the reforms, permits spending to go up in this function by $21 billion.

The PRESIDING OFFICER. Who yields time?

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

The PRESIDING OFFICER. Forty-eight minutes.

Mr. MUSKIE. How much time does the distinguished Senator from Colorado have remaining?

The PRESIDING OFFICER. Fifteen and one-half minutes.

Mr. MUSKIE. I am willing to reduce my time to, say, 12 minutes if the Senator is, and I ask if the Senator will be inclined to reduce his in any degree? I am simply trying to save time for other amendments, as the Senator knows.

Mr. ARMSTRONG. Mr. President, my understanding is that we are going to now lay this amendment aside and take up the amendment of the Senator from Kansas. I have nothing more to add at this point and I am happy to reduce the time remaining to me. I have 15 minutes. Let me say I will reduce it to 10 minutes and will expect to yield back most of that unless for some reason it is needed at the time.

Mr. MUSKIE. Then let me make my argument which will not be long and if the Senator from Colorado at that point desires to use some of his time to respond, then at that point we might be able to agree on yielding back time.

I make the suggestion, may I say to the Senator from Colorado, not because I underestimate the significance of his amendment, either from his point of view, or the point of view of his cosponsor, or the country, but I think we have covered a lot of ground, that should be covered in the debate, in the debate on the Roth amendment before, at least from my side of the debate.

Mr. President, there is one observation I shall make about these two tax reduction proposals that I neglected to make in the debate on the Roth amendment; that is, unlike the tax cut proposal, or many of them, of last year, which rested wholly upon the merits of a tax cut or no tax cut policy, these have been tied to cuts in outlays. As I understood the debate last year, the debate was that a tax cut would serve the public interest, one, by reducing the share of the Government in the income of the country; second, that it would have a beneficial effect upon the economy which in the long run would not have the effect of reducing the Government's revenues, and would have the effect of stimulating economic activity. That may be an oversimplification of the arguments for last year's tax cuts but this was the perception of them that I had.

I opposed them last year in part because I felt the short-run effect would be to increase the deficit, the reflows to be expected would not be so quickly realized that they would offset the risk of a larger deficit resulting from the tax cut and, second, that the reflow effect hoped for by the proponents would not be realized, that the effect they hoped for was really exaggerated in terms of our actual experience.

But this year what we have before us, and I think that we have it in this form this year because of the preoccupation with the size of the deficit by the public as well as Members of this body, is tax cuts tied to reductions in outlays.

I do not want to get into a detailed debate on the specifics of the outlay reductions proposed by the Senator from Colorado. In the first place, I am not sure I have 100-percent accurate information on that, and I do not want to be in the position of distorting his amendment. I am even hesitant to put in the RECORD the table I have which represents the staff's best effort of getting the details as to where the cuts would fall if the Senator's preferences were followed. I think they are reasonably accurate. There may be a sufficient discussion of them in the RECORD so that I need not put this in the RECORD lest it be inaccurate in any degree.

What concerns me is the total of the proposed cuts. As I understand what the proponents of the amendment are saying, as in the case of the Roth amendment, it is about $17 billion.

Again repeating, as I have nothing new to say, the prospect of getting this Congress to reduce outlays, wherever they fall—and $6 billion of them would fall in the income security sector—the prospect for outlay cuts of an additional $17 billion, in addition to the $3.6 billion the Senate mandated yesterday, is totally unrealistic. It is not going to be done. And, as my good friend Senator BELLMON said in the debate on the Roth amendment, what we would probably get if this amendment passed is the tax cut, with its impact in raising the deficit, without the outlay reductions which would offset that potential increase in the deficit, so that the net result would be an increase in the deficit, whatever was achieved by way of outlay cuts. That, I think, the national economy cannot stand; that, I think, the national budget ought not to reflect; that ought not to be the signal we send out to the country, at a time when the country is preoccupied with inflation to the almost total exclusion of other national issues.

Inflation is the enemy. Inflation is the fight we ought to be fighting. The people are saying that. They are saying it to me whenever I go back home. They are saying it in the polls. They are saying it whenever they can get one of our ears to speak to.

So our policy must be one of restraint; and on the issue of tax cuts, what I get from my people is this: Tax cuts can wait until we balance the budget. They are willing to make that contribution to balancing the budget. I am willing to make that contribution to balancing the budget. After all, tax cuts would benefit

me; I am a taxpayer as well as the constituents I represent. But we can wait on tax cuts, and that is what the budget resolution says.

The budget resolution says that if we practice the restraint that is reflected in this resolution in fiscal 1980 and fiscal 1981, we can have a $55 billion tax cut in 1982.

That is not an absolute certainty, because we cannot be sure what the fiscal policy represented in the second concurrent budget resolution, or in that resolution as modified by the Armstrong amendment, would achieve in terms of the national economy in 1982. There are uncertainties about the future impact of whatever policy we adopt.

But I say to the Senate—and it is backed up, I think, by the net effect of the testimony we received in the Budget Committee—that if we follow a policy of restraint such as is represented in this budget, that is our best hope of reducing inflation, slowing it down, avoiding a deep recession, and coming up, in 1981 or 1982, with an economic environment which would make a balanced budget possible, with a tax cut to follow.

That is what we are advocating to the country. We cannot guarantee it, any more than Senator ARMSTRONG can guarantee the beneficent economic effects he predicts if his policy were adopted.

I must say, Mr. President, I often wish these days, as I listen to the debate in the Senate, that someone else's policy would prevail, so that I could then be on the outside, criticizing the results of that policy. The chances are that I would have opportunities to criticize if Senator ARMSTRONG's policies were adopted, just as he will probably have an opportunity to criticize the results of mine, if mine is adopted. That is the nature of the economic science, if you can call it a science.

But at any rate, I think asking for an additional $17 billion in outlay cuts in 1980 is not realistic. In fact, I think, given the increases mandated yesterday in defense, the chance of achieving the cuts provided in the reconciliation instruction is less likely. The fact that we voted reconciliation yesterday to the point of $3.6 billion does not mean we have yet realized $3.6 billion in savings. After all, those savings were assumed in the first concurrent resolution and have not been realized, because the committees have not made it possible to realize them.

Now we are asking the committees to take another look at them, and to make it possible to realize this $3.6 billion in savings. But they have not yet been realized, and they may not be; and if there is the reaction in the House-Senate conference on the budget to the increases in defense that the Senate ordered yesterday that we have had in previous conferences, the House may be very reluctant to agree to the reconciliation instruction and the savings embodied in the reconciliation instruction.

So, Mr. President, I say to my good friend from Colorado—and he has been, despite our disagreements on policy, on theory, and on objectives, a constructive, positive, and very congenial, I may say, member of the Budget Committee; and it is a pleasure to have opposition of that caliber and that quality on the committee, because these issues must be raised, they must be debated, and they must be resolved. It is always more of a pleasure to be engaged in that kind of a debate with a gentleman like the Senator from Colorado than it is with more abrasive opposition. So I welcome his membership on the committee, and I think he is performing a useful public service in the committee by raising those questions there, as he has on the floor.

My disagreement with him is wholly on the merits. We have different perspectives and convictions about what can be done, as well as what ought to be done.

It is in that spirit, Mr. President, that I oppose his amendment, for largely the same reasons that I opposed the previous amendment.

I reserve the remainder of my time.

Mr. ARMSTRONG. Mr. President, I rise only briefly, first, to express my appreciation to the chairman for his kind words, and to say to him, as I have on other occasions, that I admire his leadership and very much appreciate his friendship.

I have only two or three brief points. First, by way of clarification, I ask unanimous consent to have printed in the RECORD at this point a functional comparison of the pending amendment with the pending budget resolution, and also a comparison with last year's figures, for whatever help it may be to those who are interested.

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

OUTLAY LEVELS

[Dollar amount in billions; fiscal years]

	Function	1979 [1]	1980 FCR [2]	1980 SBC 2BR Rept. [3]	1980 Armstrong-Domenici amendment
050	National defense	$117.1	$124.2	$130.6	$130.6
150	International affairs	6.9	7.9	8.3	8.1
250	General science, space, and technology	5.0	5.5	5.7	5.6
270	Energy	6.8	6.8	7.0	7.0
300	Natural resources and environment	11.7	11.7	11.9	11.8
350	Agriculture	5.9	5.4	2.6	2.6
370	Commerce and housing credit	2.5	3.2	3.0	3.0
400	Transportation	17.4	18.2	18.6	17.6
450	Community and regional development	9.0	8.1	8.4	8.2
500	Education, training, employment, and social services	30.4	30.5	30.5	28.0
550	Health	49.8	53.6	54.2	52.7
600	Income security	161.6	183.3	188.7	182.7
700	Veterans benefits and services	20.3	20.6	20.6	20.5
750	Administration of justice	4.2	4.4	4.4	4.3
800	General government	4.2	4.3	4.2	4.0
850	General purpose fiscal assistance	8.6	8.1	9.3	9.4
900	Interest	52.7	56.0	58.1	58.1
920	Allowances	.1	—.1	—.1	—5.0
950	Undistributed offsetting receipts	—18.4	—19.7	—19.7	—19.7
	Total [4]	496.2	532.0	546.3	529.5

[1] Congressional Budget Office estimate, Aug. 6, 1979.
[2] First Concurrent Resolution.
[3] Second Concurrent Resolution on the Budget, fiscal year 1980, as of 10 a.m., Sept. 19, 1979.
[4] May not add due to rounding.

Note: Assumes CBO multipliers for tax cuts and transfer payment reductions, and reductions of Federal outlays relating to transfers and grants; assumes a marginal tax rate of 0.27 percent of GNP; all calculations by Senate Budget Committee. 1980 calendar year tax cut equals $23,700,000,000, assuming an across-the-board rate cut in the personal income tax. If corporate reductions included, calendar year equivalent would be slightly larger. 1981 calendar year tax cut equals $28,000,000,000, assuming an across-the-board rate cut in the personal income tax. If corporate reductions included, calendar year equivalent would be approximately the same.

Mr. ARMSTRONG. Second, the distinguished chairman pointed out quite correctly that I cannot guarantee the specific beneficent economic results which I would hope for as a result of the tax cut. Professor Laffer has one set of calculations, someone else has another set, I have my own ideas about the nature and extent of the reflows flowing back into the Federal Treasury as a result of tax cuts with increased productivity, and so on and on.

The specific formulation which would be the most favorable to my amendment is the concept advanced by Professor Laffer. I have not used that as the assumption in my amendment. In fact, for the very reasons which Senator MUSKIE pointed out yesterday, the dangers of using four or five different sets of economic assumptions, I have, instead, relied upon the data furnished to us by the staff. We have assumed in our amendment the CBO multiplier for tax cuts and transfer payment reductions and also for the reductions in Federal outlays relating to transfers and grants.

In other words, we are using a set of figures which, frankly, handicaps the appreciation of our amendment. At the appropriate time, I should like to join with others who have some real questions about the economic assumptions that are built into the CBO model. In the meantime, it seems wise to me for us all to use the same basic economic assumptions. That is what we have done.

Finally, I appreciated the chairman's discussion that, perhaps, at some time, my point of view will prevail. Mr. Chairman, I would bet you the biggest lunch in town that my point of view will prevail in 1980, that there will be a tax cut. I do not know whether I am going to win on this amendment, but I think there is going to be a tax cut in 1980. I think this body will enact a tax cut in 1980. The very essence of my argument

is that we ought to leave room for it. Time will tell whether I am right, but I am pretty sure that with the recession in full bloom, with unemployment rising, with productivity declining and with a big election looming in November of next year, there is going to be a tax cut.

Senator DOMENICI and I are just saying, let us leave room for the tax cut in our budget projection.

I reserve the remainder of my time, Mr. President.

Mr. MUSKIE. Mr. President, I yield myself just 2 minutes.

I am glad the distinguished Senator from Colorado has raised the question of whether or not, sometime in the next 6 to 12 months, there will be or ought to be a tax cut. It is quite conceivable that, if the economy continues to deteriorate, and especially if it deteriorates to a greater degree than appears now to be the consensus of the Congress, the Budget Committee will reconsider its own view of the need for a tax cut, for the purpose of fighting a deep recession. That is a different question, at least from my perspective, than the decision that we must make today.

We should not always try to anticipate, just in order to be the first, the need for a change in economic policy, whether it is a tax cut or an increase in spending for some emerging problem that had not been anticipated. Of course, we need to be flexible enough to respond, but we should not necessarily be premature in making such judgments. So timing is a very important question.

The Budget Committee, in the last 5 years, has advocated and supported tax cuts. I think we have had two major ones since the beginning of the budget process. The first one was for the purpose of countering the recession. The second one was for the purpose of stimulating the economy. And we may need a third. We should never foreclose that possibility and the Budget Committee does not foreclose it at this time. For the time being, we think that the changes in the economic indicators that we have experienced since the spring do not suggest that this is the time to move from a policy of restraint to a policy of stimulus.

The big change that has taken place since the spring has been in the rate of inflation. I think it was the Senator from Colorado or one of his associates who used 14.9 percent instead of 13-plus percent as the current rate, on an annual basis, of inflation. So inflation has been the dramatic change since the spring, above the forecasts of CBO and above the forecasts upon which the first concurrent resolution was based.

Unemployment has not changed as much as even the July forecast of CBO has projected. So when you have economic indicators that emphasize the changes in inflation rather than the dangers of recession, what do you do at that point? I think that if you want to maximize the clout, whatever clout fiscal policy has against inflation, this is the time to hold steady on that policy. If it changes, if it worsens, and we cannot control that with fiscal policy altogether, then we consider what we do at that time. And the budget process is flexible enough. We do have available to us the possibility of a third concurrent resolution if that becomes important. We have used the third concurrent resolution before for a similar purpose; we can use it again.

At the moment, I think the restraints in the second concurrent resolution are the appropriate and the relevant and the wise course for us to follow at the present time.

Mr. STEVENS. Mr. President, I applaud both Senators ROTH and ARMSTRONG for their proposals which reduce the 1980 spending levels to provide for a tax cut. The Budget Committee recommendation to postpone any tax relief until 1982 will result in unprecedented and dangerously high tax levels. Between fiscal years 1980 and 1984, for instance, Federal taxes will increase by $193 billion, bringing revenues, as a percentage of GNP, to their highest levels in history.

I believe that a strong case can be made for immediate initiation of tax cuts. The Budget Committee argues that this would exacerbate inflation and postpone our goal for a balanced budget. The very structure of the pending amendments, however, discount this argument. Tying any tax cuts to spending limits will leave the total deficit figures unaffected and thus will not contribute to a higher rate of inflation. In addition, to the extent that our progressive tax system allows inflation to automatically increase the tax burden, a portion of any substantial tax cut would not greatly increase personal spending, but would simply allow taxpayers to maintain their present standard of living. We owe our constituents at least that much.

Besides the benefits afforded to individual taxpayers, properly structured reductions in income and payroll taxes will be needed to counter the effects of the current recession. Increasingly disturbing economic data demonstrates the need for incentives to improve capital investment, personal savings, and job producing business growth. A recent GAO report revealed that taxpayers are very responsive to changes in their after-tax incomes and many have found their work incentive dwindling with the size of their take-home pay. By cutting taxes and allowing workers to retain a larger portion of their earnings, we would stave off a further deterioration of the work incentive; a vital component for recovery from this recession.

Mr. President, although I do not agree with the conclusions endorsed by the Budget Committee, I understand their reluctance to support a tax cut in 1980. But if history is any indication, political pressures in the upcoming election year will be such that a tax cut will pass Congress. We would be naive to think otherwise. Given political reality then, it would seem prudent for us to provide for the inevitable in the budget resolution. By identifying now, those areas where spending can be cut, we will mitigate any possible inflationary effects an unplanned tax cut could bring to the economy.

Mr. President, inflation has been targeted as this Nation's No. 1 problem. There are many causes and aspects of inflation, some of which, such as OPEC price increases or the weather's effects on food costs, are beyond our control. Where control can be exercised, however, we have a responsibility to act. I doubt if anyone would contest the Federal Government's complicity in the exacerbation of inflation. We have a responsibility, therefore, to exercise fiscal restraint by reducing both taxes and spending and demonstrating to the people we serve that Congress is serious about its commitments.

● Mr. HART. Mr. President, at this time I wish to state my views regarding Senator ARMSTRONG's proposed amendment to the second budget resolution. Senator ARMSTRONG has proposed that Federal outlays be cut $15 billion or so in 1980 and about $15 billion in 1981. He has also proposed that taxes be cut $13 billion in 1980 and $24 billion in 1981. This proposal would produce a budget deficit of approximately $28 billion in 1980 and a balanced budget in 1981.

I cannot support this proposal because it decreases—by a severe amount—Federal spending on health, income security, employment and training, and natural resources. It also proposes that categorial grants to State and local governments be cut 5 percent across the board without specifying which grants would be cut. Furthermore, it would increase revenue sharing at a time when the States are asking the Federal Government to reduce its spending.

Mr. President, we should balance the Federal budget in 1981. We must reduce Federal spending as much as possible, and we should grant tax cuts wherever possible. But, I don't believe Federal spending can be reduced by this large amount without severely hurting recipients in great need of these programs.

As my colleagues know, last fall and again this spring, I offered a proposal to trim the rate of growth of Federal spending, coupled with tax cuts as large as possible in 1982, consistent with balancing the Federal budget in 1981. That proposal is now part of the Senate budget resolution.

The question is whether we should trim Federal spending by very severe amounts in order to cut taxes before 1982. Many people claim we should not balance the budget on the backs of the taxpayers. By the same token, we should not balance the budget by increasing the hardships of low-income and unemployed people. Adequate medical care, adequate food, adequate education are very important Federal objectives, and outlay cuts as proposed by the other Senator from Colorado are inconsistent with these objectives.●

Mr. MUSKIE. Mr. President, I am prepared to yield the remainder of my time on this one so we can turn to another amendment, but I do not want to put pressure on the Senator to do so.

Mr. ARMSTRONG. Mr. President, I think the case has been well stated on both sides and I yield back the remainder of my time.

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

The PRESIDING OFFICER. The ques-

tion is on agreeing to the amendment. The yeas and nays have not been ordered.

Mr. ARMSTRONG. Mr. President, it was my understanding that, under the unanimous-consent agreement requested by the majority leader, the yeas and nays had been ordered and set for 2:15 this afternoon.

The PRESIDING OFFICER. The instructions by the majority leader, agreed to unanimously, were on questions on which the yeas and nays had been requested.

Mr. ARMSTRONG. I beg the Chair's pardon. In that case, I believe the correct procedure is for me to ask for the yeas and nays at this time, and also to suggest the absence of a quorum if the number is not present to achieve a second.

The PRESIDING OFFICER. The yeas and nays have been requested. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. MUSKIE. Mr. President, I suggest the absence of a quorum. I hope not too much time will elapse until another amendment is brought to the floor.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

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

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

UP AMENDMENT NO. 564

(Purpose: To increase Federal revenues for fiscal 1980, 1981, and 1982)

Mr. MELCHER. Mr. President, I have an amendment that I send to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Montana (Mr. MELCHER) proposes an unprinted amendment to amendment No. 434, as amended, numbered 564.

On page 5, line 14, strike "$514,700,000,000" and insert in lieu thereof "$516,300,000,000".

On page 5, line 15, strike "$603,600,000,000" and insert in lieu thereof "$607,200,000,000".

On page 5, line 16, strike "$658,400,000,000" and insert in lieu thereof "$662,000,000,000".

On page 5, line 20, strike "+$2,000,000,000" and insert in lieu thereof "+$3,600,000,000".

On page 5, line 21, strike "+$9,700,000,000" and insert in lieu thereof "+$13,300,000,000".

On page 5, line 22, strike "−$38,700,000,000" and insert in lieu thereof "−$35,100,000,000".

On page 6, line 11, strike "−$31,600,000,000" and insert in lieu thereof "−$30,000,000,000".

On page 6, line 12, strike "+$6,800,000,000" and insert in lieu thereof "+$18,400,000,000".

On page 6, line 13, strike "+$9,300,000,000" and insert in lieu thereof "+$12,900,000,000".

On page 6, line 16, strike "$890,700,000,000" and insert in lieu thereof "$889,100,000,000".

On page 6, line 17, strike $916,800,000,000" and insert in lieu thereof "$911,600,000,000".

On page 6, line 18, strike "$946,700,000,000" and insert in lieu thereof "$937,900,000,000".

On page 6, line 21, strike "$60,700,000,000" and insert in lieu thereof "$59,100,000,000".

On page 6, line 22, strike "$86,800,000,000" and insert in lieu thereof "$81,400,000,000".

On page 6, line 23, strike "$116,300,000,000" and insert in lieu thereof "$107,900,000,000".

The PRESIDING OFFICER. Who yields time?

The Senator from Montana.

Mr. MELCHER. Mr. President, I am offering this amendment to the concurrent budget resolution to provide additional revenues in the amount of $1.6 billion for fiscal 1980 and $3.6 billion for fiscal years 1981 and 1982. This additional revenue would result from modifying the amount of U.S. taxes that multinational corporations pay on their income earned abroad. It is based on Congress changing the U.S. tax law to eliminate tax deferrals on U.S. multinational foreign income and to require the reporting of profits by regular methods.

Second, a minimum tax of 15 percent would be imposed on the foreign sourcebook income of U.S. companies; that is, net foreign profits, after deducting foreign taxes paid.

Mr. President, I point out that, as J. P. Morgan said years ago, it is the right, almost the duty, of an American citizen to take advantage of tax laws and to avoid paying taxes when that citizen can. So I am not levying any criticism at multinationals who take advantage of U.S. tax laws to suit their own purposes.

But I am offering these modest steps that if made effective by January 1 would increase revenues of something less than the $2 billion for the 9 months remaining in fiscal year 1980 and about $3.6 billion for a full year.

Mr. President, I am offering the chance to close down some of the tax advantages that multinationals now have. I offer it on the basis of not just getting more money into the Treasury, but on the basis of helping the U.S. economy; to make it a little less attractive for multinationals to be investing their money abroad and manufacturing abroad. Hopefully, if it is a little less attractive to invest abroad that investment will occur in the United States.

Let me give a couple of examples.

It is advantageous, for instance, for Ford to make cars in Europe to escape, first of all, the Common Market duty on Fords if they were made in the United States and exported to the Common Market countries. It makes sense for them to do that.

But I do believe there is a responsibility on the part of Ford to help out the United States.

I would like to make it just a little less attractive for U.S. companies to make heavy investments in the European community and in a straightforward, legitimate, businesslike way to manufacture Fords over here: in fact to make it a little more competitive for Fords made here in the United States.

Let me give another example of a friend of mine. He is about my age, which is 55, and having made a substantial amount of money in this country, my friend finds that at this particular time in his life it would be advantageous for him to make some investment in Taiwan for, of all things, another plant manufacturing and assembling television sets, most of which are to be sold in the United States.

I asked my friend, "Is it such an advantage in labor costs that makes you choose Taiwan, to pull your money out of the United States, and put it in Taiwan?"

My friend very candidly said, "Yes, there is some labor advantage, but my accountant tells me that the tax advantages are something I cannot afford to pass up."

I said, "What are they?"

He said, "I don't know, talk to my accountant. He understands these things."

One of those advantages, apparently, is tax deferral. Tax deferral, at his age, which is about the same as mine, is a good idea. Why not defer some income during these years to bring back from Taiwan to the United States when he is retired? Following Morgan's admonition, he should. Not only for himself should he take advantage of the U.S. tax code, but also for his family.

Obviously, he can bring it back later and save quite a bit on U.S. taxes. Sometime in the future he will then pay some U.S. taxes that will be less than if he would bring them home today, and it will be advantageous for himself, for his wife, and for his entire family, the next generation of his family.

Also, because Taiwan has low taxes, it is also advantageous for the company, too, to have the plant there.

Now, he has a privilege, as we all do, not only to take advantage of those loopholes, but to also recognize that when the United States is in trouble, he has, I think, a privilege, but also an obligation to review what our economic trouble is here in the United States and to admit that a minimum U.S. tax is entirely justified.

We have in our Tax Code foreign tax credits, tax credits that are based on the fact that whatever we pay to a foreign government in taxes will become a tax credit against the U.S. taxes on the income made abroad. I personally feel that we have been overzealous in promoting multinational operations abroad and probably these foreign tax credits have gone too far.

But I do want to point out that we have some 30 different tax treaties with approximately 40 industrial nations, and to upset our tax laws at this time involving foreign tax credits would mean that those treaties, probably all of the 30-odd treaties, would have to be amended and renegotiated.

I do not seek to do that. Hence, I seek the easier path. In light of those 30-odd tax treaties with different countries, a minimum tax on foreign net profits is more reasonable, probably more equitable.

So that is the reason for including a direction or a discussion, at least, in this amendment on a minimum tax.

Now, getting back to the reasons for this proposal, why this proposal should be accepted.

First. Under present law, the profits of foreign subsidiaries of U.S. corporations generally are taxed only when profits are returned to the United States. The tax incentives provided by the present deferral and foreign tax credit rules encourage U.S. companies to establish their manufacturing operations in foreign countries rather than in the United

States. This incentive results in a great drain on the U.S. economy, U.S. jobs and the U.S. balance of payments.

Second. Even after the deferral, a minimum tax is necessary because many U.S. companies would still largely be able to avoid paying U.S. taxes on their foreign earnings by using the foreign tax credits. Since U.S.-based companies benefit from the fact that they operate from a base in the United States, it is only fair that they pay at least some minimum amount of tax on their foreign source income.

Third. Moreover, a minimum U.S. tax will permit U.S. companies operating in the United States and producing goods for export to compete on a more nearly equal basis with their U.S.-based competitors who set up their manufacturing operations in the European Economic Community (EEC) countries to avoid the Common Market duties.

Fourth. Another reason for the imposition of the minimum tax is to eliminate the competitive advantage which U.S. companies operating overseas have, compared to those operating in the United States, which results from the fact that income taxes paid to provincial, state and local governments in foreign countries qualify for the foreign tax credit while those paid to States and localities in the United States can only be deducted.

Mr. President, the bottom line on this issue is tax equity. In 1974, the last year for which we have complete figures, the effective tax rate on all U.S. corporations' income was 41 percent ($52.4 billion in U.S. taxes on $126.9 billion income), but the effective tax rate on foreign corporations' income was only 2 percent ($942 million U.S. taxes on $46.7 billion income). I cannot explain to our domestic businessmen why they should have to pay more than 20 times the tax rate of their fellow businessmen overseas.

Mr. President, offering this amendment at this point is entirely reasonable, entirely rational, and entirely justifiable; because, by our previous actions yesterterday, the Senate has agreed to increased expenditures of some $4 billion extra in defense, something that we found overwhelmingly necessary to do. But it does create a larger deficit.

We are not justified in creating these larger deficits and then not reviewing what would be advantageous in our overall economic situation for securing enough taxes to minimize the amount of Federal deficit for the coming fiscal year.

This amendment I offer is a very modest step. Senators should not think that I offer this amendment simply to emphasize the need for narrowing the deficit. I offer it, also, as a requirement for the Finance Committee of the Senate and the Ways and Means Committee of the House to reexamine the U.S. code of taxation of multinationals.

I take this very modest step as one means of economic help for the United States.

All the reasons I have cited are documented and cannot be contested. I think this modest step would serve notice on the two taxation committees of Congress, and it will make sure that they pay attention to it.

I should like to make a couple of important points. First of all, let me ask who gets the benefit of these tax breaks on foreign income? Twenty percent of the companies with foreign income get 98 percent of the benefit from our tax policy on foreign income. These are companies with assets of $50 million or more. The remaining 80 percent of the companies with foreign earnings receive only 2 percent of the benefits. That is a point worth remembering.

Second, for 1974, the effective tax rate on the income of all U.S. corporations was 41 percent, but the effective tax rate on the income of foreign corporations was only 2 percent.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. MUSKIE. I yield myself 5 minutes.

Mr. President, first of all, when one considers the amendment offered by Senator MELCHER, one must bear in mind the nature of the budget resolution. The budget resolution cannot write law in any sense. It is not an appropriation bill. It certainly is not an amendment of the Internal Revenue Code, nor can it have either of those effects. It cannot force the Appropriations Committee to adopt any particular shape of an appropriation bill, whether that appropriation bill applies to defense or to social programs.

All this resolution does is to set overall aggregates with respect to total revenues, total budget authority, total outlays, the resultant deficit, and the resultant national debt. We cannot write tax law in this resolution.

So, however meritorious the proposition advanced by Senator MELCHER, we cannot make it come true in this resolution.

For example, this resolution assumes an increase of $2 billion in revenues. The Budget Committee could not mandate, nor can the Senate mandate, how that $2 billion should be raised. So that without adding to the aggregates of revenues assumed, Senator MELCHER could argue that the $2 billion already assumed in the resolution is to be raised by the means he suggests, but there is no way for the Senate to mandate even that.

There were preferences within the Budget Committee as to how that $2 billion should be raised. Some thought it should be raised as part of the windfall profits taxation. Others resisted that and felt that it should be raised by other means.

However, the Budget Committee properly did what the Senate must do, also—leave the first decision on that point to the Finance Committee. In other words, it is for the Finance Committtee to determine, one, whether present tax laws would raise the total of revenues assumed in the Budget Committee; or, two, if they do not, how the additional revenues should be raised or provided.

The Budget Committee cannot mandate the answer to that question, and the Senate cannot do that in this resolution.

That is not to say that it is not appropriate for a Senator to offer an amendment such as Senator MELCHER has offered, in order to raise the issue and to bring it to the attention of the Senate and of the Finance Committee. But there is no way of writing the specific change in the Internal Revenue Code that he proposes in this resolution so that it has the effect of law.

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

Mr. MUSKIE. I will yield in a moment.

The most he can do is to add to the Budget Committee's assumptions of additional revenue another $1.6 billion.

In other words, what he is asking us to assume is $3.6 billion in additional revenues instead of $2 billion, in the hope that the additional $1.6 billion might be raised by the means he suggests; but he can give that wish no binding effect in this resolution.

The other consequences of what he proposes if his amendment were to be adopted would be to force the tax-writing committees—the Finance Committee in the Senate—to raise $3.6 billion of additional revenues by whatever means they chose, instead of the $2 billion that the budget resolution contains. The reaction we have had to the $2 billion assumption of additional revenue has been about 90 percent resistance.

We were told by those who favor the windfall profits tax that we cannot hope to realize $2 billion the first year out of a windfall profits tax, given the other claims on the proceeds of a windfall profits tax that will be made—production incentives, conservation incentives, and so forth.

So that if we enact a windfall profits tax, we are being told that our $2 billion assumption of additional revenues is unrealistic; and the options for other sources of raising that revenue, we are told, are minimal.

The place to persuade the Finance Committee as to where additional revenue assumptions could be realized, whether it is $2 billion or $3.6 billion, is the Finance Committee. I think the $3.6 billion is an unrealistic proposition to impose on the Finance Committee, given my reading of the alternatives, whether it is this one or some other.

Since we cannot really write tax law in this resolution, I have to confine myself to the realism of the revenue assumption.

Senator ARMSTRONG, when he debated his amendment, suggested that if faster deregulation of oil takes place, revenues will increase without any additional tax legislation.

If that happens that may be the way in which the additional revenue assumptions of the budget resolution are met. But we are indulging in guesswork when we do that.

The other alternative that confronts us is this: that if the economy worsens to a greater degree than we anticipate at the present time, if unemployment begins to climb at a faster rate than we anticipate, the effect of that development

will be to further shrink Federal revenues so that the gap in revenues may be more than the $2 billion, more than the $3.6 billion, and if the economy worsens to the degree that it did in 1974–75, it could be substantially greater than any of those numbers.

So I do not think that it is wise to add to the assumptions of new revenues at this point because it could go either way. I think the $2 billion is a moderate, modest even though resisted, assumption of additional revenue, and I think we should call it at that point.

Now I am happy to yield to the Senator from Montana.

Mr. BELLMON. Mr. President, will the Senator yield to me for 2 minutes?

Mr. MUSKIE. He had asked me earlier.

Mr. MELCHER. Mr. President, I thank the chairman for yielding, and he has precisely described my motivation and rationale for offering this amendment. It is not, of course, that we can tell the two taxation committees what to do and how they come about raising the additional revenue. We cannot tell them how. We can ask them, as the concurrent budget resolution allows us to do, to pay attention to these areas and to modify the law to raise the additional revenue.

As to the $2 billion, the windfall profits tax, which is part of the resolution as before us, whether or not the Senate Finance Committee and the House Ways and Means Committee actually brings this legislation to the floor is a question having that direction. The chairman has pointed out there may be offsetting features that will not allow the particular tax provision to generate an additional $2 billion.

But that is precisely the reason that I offer this amendment at this time. It is to ask those committees, and to tell them, that it is the will of Congress that they attempt to bring back to the House floor and the Senate floor such tax modification in the form of legislation.

I remind the chairman, and hope I am correct, that I am advised that the first concurrent budget resolution in the House of Representatives for last year contained room in it, as presented by my friend Congressman VANIK, for readjustment of the tax credit. That later was dropped in conference. But is was a procedure that was used by the House of Representatives in approving the first concurrent resolution. Is that correct?

Mr. MUSKIE. I think that is correct. Let me say at this point there is room in the resolution now for tax action by the Finance Committee. I am arguing against making more room, not because I am opposed necessarily to this particular approach. But I am not getting involved in that. I just think that the $2 billion of room that we have left for action by the Finance Committee is about all we can expect to be done in the present environment. I do not quarrel with the Senator's right to urge this tax course. But the problem I have is trying to find the prospects for $3.6 billion in additional revenues in fiscal year 1980 out of any prospects that have been spelled out to me. There is room in the resolution as it is, and I urge the Senator, having made his argument and continuing to make it as long as he wishes, that he urge that the room that is now in the resolution be used for his proposition, because I do not think that the result with respect to his proposition will be any different than it would be if you raised that room to $3.6 billion.

You would simply, I think, reduce the prospect that we could indeed implement that requirement of the budget resolution and, if we failed to realize that prospect, the net effect would be that we would be holding out to the public that we were holding the deficit down by a $1.6 billion figure that we cannot realize. I do not think we should hold out false prospects to the people of this country in that connection. That is my point of view.

Senator PACKWOOD is here as a member of the Finance Committee and he can address the specific proposition, I think, and even the prospects for additional revenue.

Mr. PACKWOOD. Mr. President, I appreciate the chairman's indulgence. I did just come from the Finance Committee meeting. We started out talking about energy funds. We started adding up the cost of even the credits that we wanted to have for energy conservation, for solar. My guess would be that 90 percent of the credits we would like to adopt we would like to vote for but it turns out we were going to use up more money with the credits than there is money.

So we had to think to ourselves where do we find this money? We are not quarreling with the $2 billion, and we are going to raise it and we will find it, maybe in the windfall profits tax. It may be in some other variety of devices. We will find it. I can assure the Senator from Montana that we are already hard pressed enough to cut off the $1.4 billion in savings we are going to make. We are going to be hard pressed to find the $2 billion.

So on the procedure of directing the committee to go in this direction and on the difficulty of finding it I can assure you the chairman is right.

Second, on the particular subject, deferral of foreign source income, we have marched up and down this floor twice in the last 3 years, in 1976 and last year on this subject of deferral of foreign source income. We have had long debates and we have had votes on the floor. Last year it was decisively defeated. I only learned about this a few minutes ago. As I recall the vote was around 70 to 30 if there were 100 votes. I may be off five votes on that. But it was very decisively defeated.

Third, on the merits, and if the Senator from Montana will forgive me because I am trying to pull out of my memory from the debates 3½ years ago, deferral of foreign source income, if we eliminate it, it would be one of the biggest tragedies from the standpoint of our exports of anything we could do. What we have discovered in past hearings is that only about 6 percent of the goods that are manufactured overseas come back to this country and about half of those are under the Canadian auto agreement. I questioned the merits of that, but we agreed to that years ago. Very little comes back to this country.

Fourth, if we were to eliminate deferral of foreign source income and effectively force all of those companies back to the continental United States, that is what we would do because all of the other countries in the world, the industrial countries not only allow deferral but at least as of 2 years ago only two countries even taxed the income when it was brought back, only two. The rest of them let you keep it overseas, or bring it back, because they regard the overseas markets as critical and the deferral of foreign source income serves those markets. What we discovered was that if we brought back all of the companies that now operate overseas and say, "You are going to serve those markets by export from the United States," we would be lucky to hold 20 percent of what we now serve by having those companies located in those countries.

We also discovered, and again I am digging in memory, but as I recall, over half the exporting overseas goes to countries involved in operating overseas. There are parts that are manufactured here. There will be a piece of an engine. We used to not have any of those businesses at all.

On a net jobs figure, I cannot recall whether on net jobs it exceeded a million or slightley below it, but on net jobs, deferral of foreign source income provides jobs.

If the Senator from Montana wants to go into an extensive debate on another occasion on this I will be prepared and happy to go through it at length. But recalling from mind, just from my memory what I recall, there are almost no arguments in my mind that would justify elimination of foreign source income. Also, to put it on this bill and direct the Finance Committee to do something that this Senate twice in 3 years has turned down after extensive debate and turned down the last time by an overwhelming margin, I think would be an act of foolishness considering the Senate's position.

Mr. MELCHER. I thank the Senator from Oregon for his comments. I am well aware of his position on the issues, based on previous votes. But there are two points that need to be offered in rebuttal.

First of all, the argument that we should continue to support deferrals and tax credits because other nations do it is one that I do not think holds much water. If we were talking about defense policy instead of economic policy, which we are discussing today, I wonder whether the proponents of the argument for deferral and for nontaxation by the United States of foreign profits would be arguing that we should follow France, Japan, or any other country in formulating defense policy.

I think it is apparent from the action the Senate took yesterday that we make our own decisions on defense policy. We are very apprehensive about our defense stature, and want plenty of room in this concurrent budget resolution for defense needs.

The second point, I would say to my

friend from Oregon, is that the investment income from abroad for 1976 was $29.3 billion. Meanwhile, reinvestment of foreign income overseas and capital outflows from the United States for 1976 was $12.4 billion. Imports to the United States from foreign affiliates amounted to $35.9 billion. The result is a net dollar outflow.

I think that what we ought to really be weighing here is the economic condition of the United States. What about jobs? If overseas investment creates U.S. employment and foreign tax deferral enhances U.S. employment by shipping U.S. parts overseas, I would agree with my friend from Oregon. But those parts are not adjusted on the basis of what they are worth at the time they are manufactured here and taken over for assembly into some final product.

If there is not a loss of jobs from foreign investment, why is it that the AFL-CIO and the United Auto Workers are opposed to both foreign income tax deferral and foreign tax credits even more than I am? I am not violently opposed; I am simply interested in some balance in this thing.

Mr. PACKWOOD. Can we separate the question of deferral from the question of tax credits?

Mr. MELCHER. Yes.

Mr. PACKWOOD. On the credits, what the Senator is saying is that if you have taxes overseas, you would have to pay taxes here on the same income. If we are going to compete for a market in Brazil, for example, and we set up a plant and Germany sets up a plant, so that each has to pay Brazil taxes of, say, $150, you can offset that $150, so that you do not pay an additional tax on it in the United States.

That is a matter of comity, and in many cases treaty, in all of the industrialized nations of the world. It also works in reverse. Volkswagen, in Pennsylvania, pays taxes in the United States, and they are allowed to credit their United States taxes against their German taxes. That is a matter of comity which works well for all industrialized nations in terms of comity in commerce.

Mr. MELCHER. For which we have a treaty, with which I am not tampering.

Mr. PACKWOOD. You mentioned the word "credits."

Mr. MELCHER. That is right. I am not tampering with it; I only bring tax credits in to assure you that there is a cause for concern. But I am not tampering with treaties, I am only asking for a minimum tax, a minimum responsibility and the tax treaties remain in place.

Mr. PACKWOOD. Are you talking about the deferral of foreign source income?

Mr. MELCHER. Two things: The deferral of foreign source income, and a minimum tax of 15 percent on net foreign profits.

Mr. PACKWOOD. Let the record be clear, then, about how the deferral works. If an American company like General Motors goes into a 50 to 50 partnership with, let us say, Philips, and they decide to open up a plant in China on a 50 to 50 basis, and General Motors thinks to itself, we will get this market early and get the jump on the Japanese, and they decide, for 4, 5, 6, or 7 years, to leave their earnings there, expand their plant and their sales forces, and never bring that money home, they have two problems. They cannot do it forever. Let me assure you, according to figures of 2 or 3 years ago, at least 50 percent of that money is brought home every year now. They have to do that, to satisfy their shareholders. No one is going to invest in a company that never brings its income back. As a rational shareholder, you have to ask yourself, "At some stage am I going to get something back?" So they bring about half of it back.

The biggest exporters from the United States are those companies that are overseas, because that is where the markets are, and ironically that is the reason that many foreign companies are coming here to open up. We go where we think there are good markets. In some cases we go additionally because of local component laws requiring that something be assembled in that country, under their law. We do not go to escape taxes.

According to the Treasury Department last year, if we eliminate foreign source income, it ends up being a net revenue loss to the Treasury, and we do not get any jobs and will have to find some more money.

I would inform the Senator from Montana that if he wants to go deeper into this, defer it on this bill and I will be happy to go into further hearings with the Finance Committee, and bring up to date all the data that we assembled substantially between 3 years ago and a year ago, showing that certain companies operating overseas are net job producers, net income earners, and net balance of trade surplus producers.

Mr. MUSKIE. Mr. President, how much time remains on this amendment?

The PRESIDING OFFICER (Mr. BOREN). Eighty and one-half minutes altogether.

Mr. MUSKIE. I would like very much, without unnecessarily or unfairly limiting debate, to reduce the time. How much time do we have left overall?

The PRESIDING OFFICER. There are 169 minutes left, totally.

Mr. MUSKIE. We have 169 minutes left to complete the debate on this amendment and to consider at least two other amendments. The two other amendments would require 140 minutes, and if we used up the entire 80 minutes available here, we would need 220 minutes, and what we have left is——

The PRESIDING OFFICER. One hundred and sixty-nine.

Mr. MUSKIE. So I would like very much to accommodate—I think there are three other amendments. At any rate, if it would not deprive Senators of time they think they desperately need, I wonder if we could reach an agreement at this time on a time limitation.

How much time does the Senator from Montana have remaining?

The PRESIDING OFFICER. Thirty-seven and one-half minutes.

Mr. MUSKIE. And how much time do I have?

The PRESIDING OFFICER. The Senator has 42 minutes.

Mr. MUSKIE. Do you suppose we could agree to 10 minutes on a side for the remainder of the discussion?

The PRESIDING OFFICER. Is there objection?

Mr. DANFORTH. Mr. President, reserving the right to object, I would like to proceed, if I could, against Senator MELCHER's amendment for perhaps 5 minutes or less.

Mr. PERCY. Mr. President, I would like about 2 or 3 minutes.

Mr. MUSKIE. Well, I think the 10 minutes would accommodate that.

Mr. PRESSLER. Mr. President, I would like about 3 minutes, if I could, in support of the amendment.

The PRESIDING OFFICER. Is there objection to a limitation of 10 minutes to the side on the amendment? The Chair hears none, and it is so ordered.

Mr. MUSKIE. I yield to the Senator from Missouri.

Mr. DANFORTH. I thank the chairman of the committee.

Mr. President, deferral appears to be one of the few tools we have in our law for improving our total trade picture.

I am sure it is a debatable tool, but it is there. It is one of the few things that we have right now in our Internal Revenue Code which has some effect on exports.

As opposed to that, other countries, which use the value-added tax, in effect, subsidize exports through their tax policy. We do not have a value-added tax in the United States. Some people have proposed having one. It is going to be very controversial. There are pluses and minuses. But certainly, it is a long time coming, if we are going to have one at all.

What we do have is DISC and we have deferral. That is about it. There is no doubt, I have never heard it questioned, that it has at least some positive effect on our balance of payments.

What we are dealing with here is a very serious matter; that is, that we have a very substantial trade deficit in America and it is a novelty for us. Until 1971, we never had a single year when we had a deficit in trade. Then, in 1971, we started incurring deficits and last year, we had about a $30 billion deficit, and the year before, we had about a $30 billion deficit.

Some people say, well, that is just all oil, it is all the fact that about half of the oil that we use is imported oil. Mr. President, I point out that Japan, which imports 100 percent of its petroleum, in 1977 maintained a $17.3 billion trade surplus. So the fact of the matter is that it is not all energy. It is the fact that, in the United States, trade policy has taken a back seat. Trade has been one of the underemphasized aspects of our economic situation. Trade has been a matter which has received bottom-of-the-pile treatment from the Treasury Department, not just in this administration but for a long, long history.

American business, during the time when we were expanding our own frontier westward, was content to avail itself of ever-expanding domestic markets for what we made. Now we are beginning to realize that we are going to have to deal in the world and that our economic future is going to depend very largely on

our ability to do business, not only at home but throughout the world.

DISC, I am sure is not a panacea for all of our problems, but it is one aspect, one part of the picture. I would really hate to see us, in the U.S. Senate, take the position, when we are on the ropes in international trade, that we are going to weaken our stance even more than it already has been weakened.

Mr. PERCY. Will the distinguished Senator yield for 3 minutes?

Mr. PACKWOOD. Yes, I yield.

Mr. PERCY. I concur fully with my distinguished colleague from Missouri. We both have, in our States, Missouri and Illinois, a great many companies that do business abroad. Caterpillar Tractor, the largest single employer in the State of Illinois, with 50,000 jobs, creates, itself, $1 billion in balance-of-trade surplus for this country. I could not imagine any blow that would be harsher to their objective of maintaining their employment in this country by being able to expand abroad and compete effectively with other manufacturers than the amendment by our distinguished colleague from Montana. It would be just one more impediment that American business has.

We have so many impediments in contrast with manufacturers in Japan, Germany, and other countries that to add one more could break the back of industry.

I thought we had long since debated this issue. I remember going back and debating it with the former Senator from Indiana, Mr. Hartke. I think the proof is absolutely there that giving us the flexibility to manufacture abroad creates jobs here at home and creates exports.

We have official studies and private estimates showing that from one-fourth to one-half of total U.S. exports go to foreign affiliates of U.S. firms. Secretary Vance has said that nearly 10 million American jobs depend on U.S. exports. This means that between 2.5 million and 5 million American workers are producing exports to foreign affiliates of American companies.

By requiring every American plant to pay taxes before it repatriates those earnings, we put them at a disadvantage with other countries that are stimulating and encouraging their manufacturers.

We are simply putting barnacles on them and discouraging them.

The Governmental Affairs Committee right now—with the help of our distinguished colleague (Mr. COHEN), is working diligently to reorganize the whole approach the United States is taking, because we realize that we have fallen so far behind Germany, Japan, and other countries that are big in exports, creating balance of payments, creating surpluses, overcoming their deficits, paying for their oil imports that way. We are doing a magnificent job in one area, agriculture; we are lagging in the field of manufacture. To add then another load on the manufacturers, to whom we are looking now to create increased markets, I think, would be very, very counterproductive.

Last year, Arthur Andersen & Co. did a study using actual tax records of 88 companies for the year 1976. This was a rich sample. The participating companies are estimated to account for 37 percent of U.S. foreign manufacturing profits.

It is true that business sponsored this study, but the reputation of Arthur Andersen & Co. for objectivity needs no defense.

The results show that the U.S. Treasury would only obtain increased revenues if everything stayed the same. The companies would then have paid $206 million more in taxes. But, if they acted in their best bottom-line interests, the results would be far different. The U.S. Treasury would collect $153 million less while foreign governments would have a windfall in withholding taxes of $377 million.

I have manufactured in a dozen countries abroad and distributed in over 100 countries. From my own personal experience, I can say that there are just so many loads that American industry can carry and still remain competitive. We are already trying to work on some where we are so far behind other countries—amortization, depreciation. That is where our advantage is today. We need the experience of brushing up against other manufacturers abroad just to see that we do stay competitive in worldwide markets. I think the rejection of this amendment would be in the interest of all those objectives and goals that we have long sought.

Mr. PACKWOOD. I thank both the Senator from Illinois and the Senator from Missouri.

Mr. President, I want to correct the RECORD. I indicated that we had voted on this last year and the vote was roughly 70 to 30. It was on October 9. The vote to defeat an identical motion was 61 to 17.

The PRESIDING OFFICER. Who yields time?

Mr. MUSKIE. Mr. President, I assume the Senator from Montana might like to use some time at this point.

Mr. MELCHER. Mr. President, first of all, let me explain to my learned colleagues, in case they have not had the opportunity really to examine this, that the question of deferral is treated with a minimum tax. It is important to keep that in mind.

What about the deferral? As the Senator from Oregon has said, over 50 percent of foreign income comes back to the United States. One-half is brought home. Why not bring one-half home? Why not? That is the part that is sheltered by the foreign tax credit part of U.S. tax codes. It comes home, but no tax is collected. It is sheltered.

Why not leave one-half abroad? That is only good business. Perhaps the Senator from Oregon was not here when, in my opening remarks, I reminded the Senate of what J. P. Morgan said, about a century ago. It is not only the right of every U.S. citizen to avoid paying taxes, it should be considered a duty. So why not bring half home under foreign tax credits? It is sheltered. They are not going to pay tax on it.

Why not leave the other half over there in a foreign country? Why bring it home? It would have to be taxed.

So the question of deferral goes right with a minimum tax. Sure, if you want to collect any taxes, you will not have deferral and you will also have the minimum tax. They do go together.

Now, what about deficits? Whom are we trying to kid as to why we have had trade deficits in the United States now for the last few years? We have trade deficits because of the price of oil, and those deficits are going to increase. Sure, I want to make us more competitive abroad. That is really what I want to do.

The Senators mentioned agriculture, and where does agriculture come in on the basis of a deferral or a tax credit? We have agriculture going forward on exports from the United States and they do not need deferral, nor could they use it, nor could they use tax credits. They are not available to them and yet we are the most competitive nation in the world in agricultural exports.

The question now of getting more of our manufactured goods abroad is being met in two ways and one is by the devaluation of the dollar.

We will sell much more abroad because it is much more attractive as long as economics continue to force devaluation of the dollar.

But that is a nonsensical way of increasing our exports of manufactured goods. That is self-defeating.

What I am trying to do here is make our economy just a little bit stronger, to make it a little less attractive to invest abroad, and increase our productivity here.

How did Japan get so much of their market abroad? Some of it was through our benevolence in our trade policies, but also it is because they increased their productivity. They did not do it by building plants abroad, they did it by building plants in Japan and becoming more productive and making their existing plants in their country more productive.

That is exactly what this proposal would help to do, increase our productivity here. It would make it more attractive for investment here in the United States as compared to investment of profits abroad.

Mr. President, I reserve the remainder of my time.

Mr. MUSKIE. Mr. President, I have no more than 30 seconds or so.

I have listened with interest to the debate on the merits of the proposal. I found it an educational exercise and appreciate the opportunity to listen.

But what I am concerned with here as chairman of the Budget Committee in this budget resolution is that what is involved is not the merits of this or any other amendment to the tax code. We cannot write an amendment to the tax code in this resolution.

What is involved is whether or not $2 billion of assumed additional revenue is all we can realistically expect as a contribution to a reduction in the deficit.

I think it is all we can expect, and to add the $1.6 billion of this amendment to that expectation is, in my judgment, unreal.

Whether or not the Senator from Montana's proposition should be the means of raising the $2 billion assumed in the budget resolution is a legitimate process for consideration, but not by this Senate at this time, not on this resolution.

I think the $2 billion figure is the realistic figure on revenue expectations. For that reason, I would oppose the amendment, which would raise those expectations.

The PRESIDING OFFICER. Who yields time?

Mr. MELCHER. Mr. President, I ask for the yeas and nays on the amendment.

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

The yeas and nays were ordered.

Mr. MELCHER. In closing, Mr. President, the point has been made that the Senate has discussed this before.

Sure, it has been discussed before. But it should be discussed again. It is time it is reevaluated now, particularly in light of the fact that Germany and Japan are moving to end deferral, because conditions have changed.

We need to help our economy now.

The measure before us is a concurrent budget resolution. We need to have some direction of where we are going in the coming fiscal year and the year beyond that.

Consideration of this issue, of course, must be by the Finance Committee and by the House Ways and Means Committee. But it is entirely proper to address the subject in our final concurrent budget resolution and to recognize that by our vote we indicate to those two committees to reevaluate the situation at this time as it affects the U.S. economy.

I think it is time we do that. I believe it is time we helped the U.S. economy. I say that this is one way we can do it.

I hope the Senate can agree to the amendment.

Mr. JAVITS. Mr. President, I oppose any removal from the tax laws of the so-called deferral of U.S. taxes on foreign source income until it is actually received by the U.S. taxpayer.

No other country in the world taxes such income until it is repatriated, and some countries, such as France and the Netherlands, do not tax foreign-source corporate income at all because they realize the importance of strong overseas affiliates in maintaining a high level of exports and jobs back home.

This issue was thoroughly aired during last year's debate on the tax bill, and during that debate it was demonstrated clearly that any removal of deferral would be very harmful to American exports, provide at least 8 million jobs in the United States. Elaborate studies have shown that foreign affiliates of U.S. companies account for about 25 percent to 30 percent of U.S. exports by buying components for their U.S. factories, and by having their distribution systems pull through other complementary products from U.S. factories.

Senator MELCHER has indicated that he seeks to raise additional revenues by eliminating deferral. The exact opposite result would, in fact, occur. In April, 1978 Arthur Anderson & Co. undertook a study, entitled "The Elimination of Deferral: The Effect of Additional Foreign Tax Payments on U.S. Treasury Revenues and Company Tax Costs," which concluded that:

> If deferral is eliminated . . . there would be a substantial additional tax cost to the companies, a substantial revenue loss to the Treasury and all of the revenues would go to foreign governments. In short, if deferral is eliminated, the U.S. companies and the U.S. Government would both be losers and foreign governments would be the beneficiaries.

In conclusion, Mr. President, we cannot afford to lose both our export markets and U.S. revenue at this critical time of danger for the United States and international economy.

● Mr. DOLE. Mr. President, the amendment introduced by the Senator from Montana is misguided. It would place American-based firms at a serious competitive disadavantage. There is not a single country in the world that I am aware of that taxes income until it is repatriated. Many countries do not even tax the earnings of foreign subsidiaries at all.

Mr. President, it has been a well settled principle and American tax law that a domestic company should not have to pay taxes on their profits earned by foreign subsidiaries until those profits are received as a dividend. The unrepatriated income which is subjected to tax by the foreign governments is needed for the expansion of the business abroad. It is not good policy to subject those earnings to U.S. tax when they are not brought back to this country.

Mr. President, the Senate has discussed this issue before. Last year during the consideration of the Revenue Act of 1978, an amendment introduced by Senators CHURCH and KENNEDY was resoundly defeated.

The defeat was by the margin of 61 yeas to 17 nays. The Senate is on record of continuing this sound principle.

Over the past years, Congress has addressed deferral on many occasions. I am satisfied that actions taken in recent years have eliminated some of the potential abuses in deferral. For example, in the 1976 Tax Revenue Act, Congress tightened the law. Foreign personal holding companies, foreign base companies, and other foreign operations are strictly regulated. The current law and regulations are very detailed and specific and leave little room, if any, for tax avoidance.

Last year, released to the President was a Treasury recommendation that deferral not be eliminated. The Treasury Department indicated that the elimination of deferral, which in the long run results in a loss of revenue to the Government since it will encourage foreign countries to impose higher taxes on income withdrawn from their countries than they would if deferral were retained.

The memorandum also supported my argument that to deny tax deferral means that income from U.S. investments abroad would be discriminated against other investments in the same foreign country.

Mr. President, the Senate Finance Committee will not approve what the Senator from Montana suggests. Tax deferral is a sound principle and a necessity in international commerce.●

Mr. MUSKIE. Mr. President, if we can yield back the remainder of our time——

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

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

The PRESIDING OFFICER. All time has been yielded back.

Mr. MUSKIE. Mr. President, I think there are at least two other amendments in the wings.

AMENDMENT NO. 444

(Purpose: To promote gasohol development)

Mr. PRESSLER. Mr. President, I call up my printed amendment.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

> The Senator from South Dakota (Mr. PRESSLER) proposes an amendment numbered 444.

Mr. PRESSLER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 2, line 5, strike "$514,700,000,000" and insert in lieu thereof "$514,840,000,000".

On page 2 line 6, strike "$603,600,000,000" and insert in lieu thereof "$603,752,000,000".

On page 2, line 7, strike "$658,400,000,000" and insert in lieu thereof "$658,590,000,000".

On page 2, line 11, strike "$2,000,000,000" and insert in lieu thereof "$2,140,000,000".

On page 2, line 12, strike "$9,700,000,000" and insert in lieu thereof "$9,852,000,000".

On page 2, line 13, strike "$38,700,000,000" and insert in lieu thereof "$38,510,000,000".

On page 2, line 16, strike "$632,200,000,000" and insert in lieu thereof "$632,340,000,000".

On page 2, line 17, strike "$649,200,000,000" and insert in lieu thereof "$649,352,000,000".

On page 2, line 18, strike "$722,500,000,000" and insert in lieu thereof "$722,690,000,000".

On page 2, line 21, strike "$542,700,000,000" and insert in lieu thereof "$542,840,000,000".

On page 2, line 22, strike "$588,600,000,000" and insert in lieu thereof "$588,752,000,000".

On page 2, line 23, strike "$632,800,000,000" and insert in lieu thereof "$632,990,000,000".

On page 5, line 10, strike "$41,000,000,000" and insert in lieu thereof "$41,140,000,000".

On page 5, line 11, strike "$7,000,000,000" and insert in lieu thereof "$7,140,000,000".

On page 5, line 13, strike "$4,700,000,000" and insert in lieu thereof "$4,852,000,000".

On page 5, line 14, strike "$7,600,000,000" and insert in lieu thereof "$7,752,000,000".

On page 5, line 16, strike "$24,200,000,000" and insert in lieu thereof "$24,390,000,000".

On page 5, line 17, strike "$9,500,000,000" and insert in lieu thereof "$9,690,000,000".

Mr. PRESSLER. Mr. President, my intention is to withdraw my printed amendment No. 444, which proposes to adjust upward the outlays for the energy function in the second budget resolution. I do so with reluctance but with assurances that fuel alcohol will be given every consideration within energy function 270.

As my remarks in yesterday's CONGRESSIONAL RECORD clearly indicate, I am completely convinced that the Congress would be making a big mistake if it did not, this year, provide for a substantial

inducement for further gasohol research, development, and, most importantly, actual production of this valuable fuel.

As a recent Department of Energy report stated "ethanol is the only alternative fuel commercially available now, and the only one likely to be available in quantity before 1985." An article in yesterday's Washington Post well points out the current feasibility of fuel alcohol use. I ask unanimous consent, Mr. President, that this article, which reports the large scale use of alcohol and gasohol in automobiles in Brazil, be printed at the conclusion of my remarks.

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

(See exhibit 1.)

Mr. PRESSLER. Mr. President, I am aware that the Senate Budget Committee in its markup of the second resolution adopted a motion by Senator METZENBAUM to add to the originally proposed outlays for the energy supply mission. As the official record for the markup indicates, the committee adopted the distinguished Ohio Senator's motion to add $300 million to 1981 outlays and $600 million to 1982 outlays for the energy supply mission within the energy function in order to permit additional energy conservation and gasohol efforts. I voted for the motion which incorporated the higher Metzenbaum motion figures.

So, Mr. President, the purpose of my offering this amendment is to further bolster the Senate's commitment to the gasohol energy alternative. With substantial additional funds soon to be made available for more expensive and exotic synfuels technologies we must insure that incentives for gasohol production are not lost in the shuffle.

My amendment would go a step beyond the Budget Committee's endorsement of gasohol in the committee's adoption of higher energy supply outlay numbers by providing specific outlays increase for that function so that more gasohol research and production could go forward.

It would help the gasohol effort immensely if today on the Senate floor we could get some indication that the Senate-House conference on the budget resolution would include express recognition of the gasohol synfuel alternative.

I am afraid much of the money in the intended various energy programs for synthetic fuels and elsewhere will not sufficiently be turned toward research and development of fuel alcohol and gasohol.

That was the purpose of my amendment. That is the intention.

EXHIBIT 1

[From the Washington Post, Sept. 18, 1979]

BRAZIL PROMOTES PURE ALCOHOL ALTERNATIVE FUEL

RIO DE JANEIRO.—Brazilian President Figueiredo now rides to all official functions in a Ford LTD limousine that runs on pure alcohol. The other day he was photographed driving an alcohol-powered Beetle on the streets of Brasilia.

Within months, the first chief of state to use an official car running on pure alcohol will be joined by thousands of his fellow-citizens. Gen. Figueiredo and the head of the Brazilian Association of Automobile Manufacturers are scheduled to sign an agreement Wednesday aimed at putting 1.7 million alcohol-powered cars on the highways over the next five years.

The accord is the latest step in the governments' ambitious, long-term plan to end dependence on costly imported oil. Brazilian cars already run on gasohol, a mixture of 20 percent alcohol with gasoline and the ultimate aim is for pure ethyl alcohol to be the basic auto fuel.

Under the agreement, auto manufacturers in Brazil are to produce at least 230,000 alcohol-powered vehicles a year for the domestic market, beginning in 1980. (Another 500,000 existing cars are to be converted.) Signatories to the accord include the local subsidiaries of General Motors, Ford, Volkswagen and Fiat.

"What Brazil has come up with here is a way of saving the automobile," says Prof. Jose Goldenberg of the University of San Paulo, former president of the Brazilian Society of Physicists. "When the world's oil supplies run out, the car will be obsolete unless an alternative fuel supply is ready."

The Brazilian government is to guarantee that production of sugar cane, which when refined yields the alcohol, will be sufficient to supply the cars. It is to replace its entire official fleet of conventional cars with alcohol-powered autos.

The alcohol program has been a top energy priority here since the 1973 oil crisis. Rising prices and the oil supply crunch triggered by the Iranian crisis have accelerated the Brazilian drive for energy independence.

Brazil currently has six million cars and a growing industry that produces more than a million vehicles annually. Government statistics have predicted that the 1979 oil-import bill will reach $7.5 billion.

As a result of the government drive, ethyl alcohol output here already has jumped from 169 million gallons in 1975 to an estimated 910 million gallons this year—more than total alcohol consumption in the rest of the world.

The Brazilian goal is to produce at least 2.75 billion gallons a year by 1985. To achieve that target, the government program calls for investments of $11 billion in distilleries and other alcohol-related projects through 1984.

"Brazil is the only country in the world that has already made official an alternative energy program based on alcohol," said General Motors to Brazil President Joseph Sanchez. "The government has reacted in a realistic and rational manner," to the energy crisis.

At General Motors' plant in Sao Paulo state, the first 252 alcohol-powered vehicles rolled off the assembly line last week destined for a government agency. Early next year, GM will begin mass producing its alcohol-powered vehicles for the public.

GM says its new motor, developed in Brazil by an international technical team and capable of running on gas, alcohol or a combination of the two, is the first "multi-fuel" engine. To restructure its Brazilian operation and expand production, GM plans to invest $500 million here during the next four years.

By 1982, GM expects to be manufacturing 330,000 of its multifuel engines at the revamped Brazilian plant. Of that total, all but 80,000 will be earmarked for export to Britain, Japan, West Germany and Australia.

A General Motors spokesman here said, however, that the company has "no plans at present" to export the four-cylinder multi-fuel engine to the United States or to manufacture it at the company's parent plant in Michigan.

"Theoretically, there are no barriers that would prevent us from selling or making our line of alcohol fueled vehicles and engines in the U.S.," said Jairo Lottie of GM. "It's just not in our plans at the moment."

Ford in Brazil, which later this month will begin mass-producing an alcohol-powered version of the LTD and two other models in its 1980 line, also says that it does not envision exports to the United States in the near future. Production is aimed at meeting local demand first.

"At this point, it doesn't depend as much on us as the Brazilian government," said engineering and technical chief Mauro Borghetti. "If they provide the infrastructure that assures there will be enough alcohol to go around, we'll make the cars."

To encourage consumers to switch to alcohol-powered autos, the government has already instituted a series of incentives. Credit restrictions and taxes have been eased for purchasers of alcohol-fueled vehicles and as of Jan. 1 drivers of cars running on pure alcohol will be exempted from the current prohibition on weekend fuel sales.

The biggest boom to users of alcohol comes in filling the car's tank. Government decrees have established a pump price of 87 cents a gallon for alcohol—as opposed to $1.86 a gallon for regular gasoline and $2.98 for high-test. The government says the cost of producing the alcohol is 70 cents per gallon.

Inventive public relations exercises also have been undertaken in an effort to win public confidence. On Sept. 7, Brazil's independence day, 170 race drivers participated in an alcohol only auto race, held at the same Rio autodrome where the annual international Grand Prix takes place.

"I see nothing but advantages to be gained from using alcohol as a fuel," said the winning driver, Arthur Bragantini, after the race. "The engines perform better, and since the motor temperature is lower, last longer."

Similar conclusions were reached by participants in a road test sponsored earlier this month by the automotive magazine Quatro Rodas. Results of the four-day trial indicated that "the performance of alcohol-powered cars is as good as, if not better, than that of conventional automobiles."

Involved in the 62,000 mile road test were the Volkswagen "Passat" (Dasher) and Fiat's 147 model. Average mileage for the participating cars was 27.3 miles per gallon.

Such figures lead some Brazilians to think they have found, if not an answer to the energy crisis, at least a partial solution. Already, delegations from the Philippines, Africa and Central and South America have sent delegations to investigate possibilities of adapting their auto fleets to run on alcohol with Brazilian-designed technology.

Mr. PRESSLER. I ask to withdraw that amendment at this time.

The PRESIDING OFFICER. The Senator has the right to withdraw the amendment, and the amendment is hereby withdrawn.

Mr. MUSKIE. Mr. President, I yield myself time to respond to Senator PRESSLER.

I would like to thank the Senator for withdrawing his amendment and for his assistance and continued support as a member of the Senate Budget Committee.

As he has indicated, the role of gasohol as a commercially viable synthetic fuel has been recognized and greatly expanded during the most recent energy crisis. Also, as stated in his remarks, the Senate Budget Committee during markup of its second budget resolution recognized the role of gasohol, along with other programs, in the supply and conservation of energy. I would like to indicate that I am in agreement with his

statement and to also add that the addition of $22.5 billion in budget authority and $0.4 billion in outlays to Mission I in fiscal year 1980 was intended to accommodate whatever mix of programs the House and Senate agree upon be that synfuels, conservation, solar, and/or gasohol.

Mr. PRESSLER. Mr. President, I greatly appreciate the courtesy of both our distinguished chairman of the Budget Committee, the Senator from Maine, the ranking Republican member, the Senator from Oklahoma, and Senator PACKWOOD, for their outstanding leadership in this area.

They are to be commended for the masterful job of guiding this enormous and important piece of legislation through the committee and for his stewardship on the floor. His remarks on this subject go far in advancing the development of an alcohol fuels program.

Mr. President, so long as the record is clear that the Budget Committee has made provisions for gasohol in the 1981 and 1982 budget outlays, I have withdrawn my printed amendment. I appreciate these assurances that fiscal year 1980 synthetic fuels and energy conservation funds will also be available for gasohol purposes. Gasohol must be given its fair share of funds in fiscal 1980.

Mr. MUSKIE. I thank the Senator.

UP AMENDMENT NO. 565

(Purpose: Delete from revenue estimate the assumption for windfall profits tax and delete from energy function new energy initiatives to be funded from such revenues)

Mrs. KASSEBAUM. Mr. President, I send up an unprinted amendment.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Kansas (Mrs. KASSEBAUM), for herself, Mr. ARMSTRONG, Mr. COCHRAN and Mr. HATCH, proposes an unprinted amendment numbered 565.

Mrs. KASSEBAUM. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 5, line 14, delete the following: $514,700,000,000 and insert in lieu thereof: $512,700,000,000.

On page 5, line 15, delete the following: $603,600,000,000 and insert in lieu thereof: $596,700,000,000.

On page 5, line 16, delete the following: $658,400,000,000 and insert in lieu thereof: $648,000,000,000.

On page 5, line 20, delete the following: +$2,000,000,000 and insert in lieu thereof: $0.

On page 5, line 21, delete the following: +$9,700,000,000 and insert in lieu thereof: +$2,800,000,000.

On page 5, line 22, delete the following: −$38,700,000,000 and insert in lieu thereof: −$49,100,000,000.

On page 5, line 25, delete the following: $636,600,000,000 and insert in lieu thereof: $614,100,000,000.

On page 6, line 2, delete the following: $744,000,000,000 and insert in lieu thereof: $727,000,000,000.

On page 6, line 5, delete the following: $546,300,000,000 and insert in lieu thereof: $545,900,000,000.

On page 6, line 6, delete the following: $596,800,000,000 and insert in lieu thereof: $595,900,000,000.

On page 6, line 7, delete the following: $649,100,000,000 and insert in lieu thereof: $647,600,000,000.

On page 6, line 11, delete the following: −$31,600,000,000 and insert in lieu thereof: −$33,200,000,000.

On page 6, line 12, delete the following: +$6,300,000,000 and insert in lieu thereof: +$300,000,000.

On page 6, line 13, delete the following: +$9,300,000,000 and insert in lieu thereof: +$400,000,000.

On page 6, line 16, delete the following: $890,700,000,000 and insert in lieu thereof: $892,300,000,000.

On page 6, line 17, delete the following: $916,800,000,000 and insert in lieu thereof: $924,400,000,000.

On page 6, line 18, delete the following: $946,700,000,000 and insert in lieu thereof: $963,200,000,000.

On page 6, line 21, delete the following: $60,700,000,000 and insert in lieu thereof: $62,300,000,000.

On page 6, line 22, delete the following: $86,800,000,000 and insert in lieu thereof: $94,400,000,000.

On page 6, line 23, delete the following: $116,700,000,000 and insert in lieu thereof: $133,200,000,000.

On page 8, line 16, delete the following: $41,000,000,000 and insert in lieu thereof: $18,500,000,000.

On page 8, line 17, delete the following: $7,000,000,000 and insert in lieu thereof: $6,600,000,000.

On page 8, line 20, delete the following: $7,600,000,000 and insert in lieu thereof: $6,700,000,000.

On page 8, line 22, delete the following: $24,200,000,000 and insert in lieu thereof: $7,200,000,000.

On page 8, line 23, delete the following: $9,500,000,000 and insert in lieu thereof: $8,000,000,000.

Mrs. KASSEBAUM. Mr. President, first, I would like to express, as has been expressed before, my respect and appreciation for the work of the chairman and the ranking minority member of the Budget Committee in really steering, I think, a most delicate and successful course for a very trying procedure, in striking a balance that will enable us to come up with a budget resolution that is not only fiscally responsible, but meets the various demands of the times.

Mr. President, as a member of this committee, I have strongly supported efforts to hold down Federal spending, and would, in fact, go further than this resolution in cutting Federal spending. I am also committed to balancing the budget by 1981, a goal adopted by this Congress last May.

It is not pleasant to offer an amendment which plainly states that this resolution provides a deficit that is artificially low—an amendment that seems to increase the deficit by $1.6 billion. However, to do less would be to send false signals to the American people and to do violence to sound budgetary and accounting procedures.

The second budget resolution includes an assumption that a windfall profits tax bill will increase revenues for fiscal year 1980 by $2 billion, while it provides for only $0.4 billion in outlays for new energy initiatives associated with these new revenues.

If we pass the resolution as it now stands, we will lessen the pressure to hold down Federal spending, which I believe is the wrong signal for the Budget Committee to send to its colleagues, particularly in light of the advice of the Committee on Finance. During consideration of the second budget resolution the Committee on Finance informed the Budget Committee to expect no change in the fiscal year 1980 revenue level. I happen to believe that even if the Finance Committee drafts a windfall profits tax bill that produces the $2 billion in revenues for fiscal year 1980 that other provisions in the bill along with other proposals now under consideration by other congressional committees will provide for the expenditure of all, or perhaps more, revenues than those we have anticipated.

Deletion of these sums does not affect the amount allocated in the fiscal year 1980 budget needed for assistance to low-income households to meet increased fuel costs resulting from decontrol. Deletion of these sums will not unbalance the budget in 1981. Instead, the effect of this amendment in fiscal years 1981 and 1982 will be to allow for a balanced budget in 1981 and a continued balance accompanied by a tax cut in 1982.

Deletion of these revenues and expenditures now included in the second budget resolution, I believe, is a more responsible budget and accounting position and a more realistic assessment of anticipated legislative action.

Mr. President, the amendment I offer is intended to provide a more accurate acounting of what the Congress honestly believes will be the deficit impact of energy taxes and expenditures. Although we should be interested in accuracy for its own sake, there is a more pragmatic consideration involved. As the resolution is now constructed, the deficit is artificially low by $1.6 billion, the net difference between expected revenues and expenditures derived from a new tax on oil. The practical result of this budget deception is that it tends to deflate pressures for restricted spending. Members will look at this budget as providing somewhat more comfort than truly exists.

Those are the reasons for my amendment. The rationale is simply accuracy and sound accounting policy. Some will see another motive for the amendment—to seek an up-and-down vote on a windfall profits tax. That is not my intention.

As for the windfall profits tax, that is a matter which will be debated and voted upon as soon as the Finance Committee reports a bill. We should have no fears or hopes that what we do on this amendment will shape the fate of that legislation. As for the administration's energy program proposals, this amendment will have very little impact. The expenditures affected by this amendment are $0.4 billion.

There will be adequate revenues to accommodate the administration's proposed new energy expenditures in fiscal year 1980 and 1981. The Joint Taxation

Committee staff has examined the public revenues that will flow from price decontrol. Their projections, assuming no change in oil prices and an increase in GNP, indicate that the treasury will grow by $3.633 billion in fiscal year 1980 and $9.156 billion in 1981. Enough certainly to accommodate energy programs if Congress and the President so desire. Mr. President, I ask that the tables prepared by the Joint Tax Committee staff be printed at this point in the RECORD.

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

TABLE 1.—FEDERAL REVENUE INCREASES RESULTING FROM OIL PRICE DECONTROL (ASSUMING GROWTH IN OIL PRICES OF 1-PERCENT PLUS INFLATION)*

[In millions of dollars; calendar years]

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1979-90
Assumption 1 (no change in prices, increase in real GNP):												
Income tax on oil producers	3,412	8,658	12,040	13,414	14,889	16,421	17,853	19,402	21,200	22,964	24,626	174,962
Federal royalties	221	498	672	740	817	900	978	1,065	1,168	1,273	1,376	9,736
Net windfall profit tax [1]	3,990	8,095	10,065	10,055	10,007	10,176	10,184	10,131	10,040	10,089	10,159	103,056
Total	7,622	17,252	22,776	24,210	25,712	27,496	29,016	30,599	32,408	34,325	36,161	287,754
Assumption 2 (no change in real GNP, increase in prices):												
Income tax on oil producers	3,412	8,658	12,040	13,414	14,889	16,421	17,853	19,402	21,200	22,964	24,626	174,962
Increase in spending to maintain real value of Government expenditures [2]	−1,810	−4,279	−5,654	−5,887	−6,120	−6,352	−6,596	−6,885	−7,380	−7,907	−8,448	−67,318
Federal royalties	221	498	672	740	817	900	978	1,065	1,168	1,273	1,376	9,736
Net windfall profit tax [1]	3,990	8,095	10,065	10,055	10,007	10,176	10,184	10,131	10,040	10,089	10,159	103,056
Total	5,812	12,973	17,122	18,323	19,592	21,144	22,420	23,714	25,028	26,418	27,713	220,436
Assumption 3 (no change in real GNP or prices):												
Income tax on oil producers	3,412	8,658	12,040	13,414	14,889	16,421	17,853	19,402	21,200	22,964	24,626	174,962
Reduced income and payroll tax in nonoil sector [3]	−2,897	−6,847	−9,046	−9,419	−9,792	−10,163	−10,553	−11,017	−11,808	−12,652	−13,517	−107,711
Federal royalties	221	498	672	740	817	900	978	1,065	1,168	1,273	1,376	9,736
Net windfall profit tax [1]	3,990	8,095	10,065	10,055	10,007	10,176	10,184	10,131	10,040	10,089	10,159	103,056
Total	4,725	10,405	13,730	14,791	15,920	17,333	18,463	19,580	20,600	21,673	22,644	180,043

[1] Assumes House-passed bill.
[2] Assumes Federal spending equal to 20 percent of GNP.
[3] Assumes a marginal income and social security tax rate of 32 percent.
* Totals include small amounts of revenue from 1979.

TABLE 2.—FEDERAL REVENUE INCREASES RESULTING FROM OIL PRICE DECONTROL (ASSUMING GROWTH IN OIL PRICES AT RATE OF INFLATION)*

[In millions of dollars; calendar years]

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1979-90
Assumption 1 (no change in prices, increase in real GNP):												
Income tax on oil producers	3,339	8,282	11,271	12,258	13,276	14,285	15,144	16,046	17,097	18,066	18,896	148,047
Federal royalties	217	480	635	686	741	799	850	906	972	1,036	1,097	8,448
Net windfall profit tax [1]	3,871	7,670	9,271	8,904	8,445	8,134	7,656	7,085	6,424	5,817	5,180	78,523
Total	7,428	16,433	21,177	21,848	22,462	23,218	23,651	24,037	24,492	24,919	25,173	235,017
Assumption 2 (no change in real GNP, increase in prices);												
Income tax on oil producers	3,339	8,282	11,271	12,258	13,276	14,285	15,144	16,046	17,097	18,066	18,896	148,047
Increase in spending to maintain real value of government expenditures [2]	−1,764	−4,077	−5,268	−5,343	−5,406	−5,459	−5,481	−5,596	−5,836	−6,088	−6,334	−56,652
Federal royalties	217	480	635	686	741	799	850	906	972	1,036	1,097	8,448
Net windfall profit tax [1]	3,871	7,670	9,271	8,904	8,445	8,134	7,656	7,085	6,424	5,817	5,180	78,523
Total	5,664	12,356	15,909	16,505	17,056	17,759	18,170	18,441	18,656	18,831	18,839	178,365
Assumption 3 (no change in real GNP or prices):												
Income tax on oil producers	3,339	8,282	11,271	12,258	13,276	14,285	15,144	16,046	17,097	18,066	18,896	148,047
Reduced income and payroll tax in nonoil sector [3]	−2,823	−6,524	−8,429	−8,548	−8,650	−8,734	−8,770	−8,953	−9,338	−9,741	−10,134	−90,644
Federal royalties	217	480	635	686	741	799	850	906	972	1,036	1,097	8,448
Net windfall profit tax [1]	3,871	7,670	9,271	8,904	8,445	8,134	7,656	7,085	6,424	5,817	5,180	78,523
Total	4,605	9,909	12,748	13,300	13,812	14,484	14,881	15,084	15,154	15,178	15,039	144,373

[1] Assumes House-passed bill.
[2] Assumes Federal spending equal to 20 percent of GNP.
[3] Assumes a marginal income and social security tax rate of 32 percent.
* Totals include small amounts of revenue from 1979.

TABLE 3.—FEDERAL REVENUE INCREASES RESULTING FROM OIL PRICE DECONTROL (ASSUMING GROWTH IN OIL PRICES OF 4 PERCENT PLUS INFLATION)*

[In millions of dollars; calendar years]

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1979-90
Assumption 1 (no change in prices, increase in real GNP):												
Income tax on oil producers	3,639	9,816	14,456	17,150	20,251	23,752	27,462	31,707	36,737	42,126	47,791	274,961
Federal royalties	231	553	786	916	1,069	1,244	1,429	1,643	1,902	2,184	2,483	14,468
Net windfall profit tax [1]	4,345	9,397	12,548	13,733	15,121	17,030	18,892	20,914	23,263	26,227	29,577	191,113
Total	8,215	19,765	27,790	31,799	36,441	42,026	47,783	54,264	61,902	70,536	79,850	480,541
Assumption 2 (no change in real GNP, increase in prices):												
Income tax on oil producers	3,639	9,816	14,456	17,150	20,251	23,752	27,462	31,707	36,737	42,126	47,791	274,961
Increase in spending to maintain real value of government expenditures [2]	−1,955	−4,897	−6,854	−7,614	−8,432	−9,304	−10,196	−11,323	−12,798	−14,424	−16,177	−103,974
Federal royalties	231	553	786	916	1,069	1,244	1,429	1,643	1,902	2,184	2,483	14,468
Net windfall profit tax [1]	4,345	9,397	12,548	13,733	15,121	17,030	18,892	20,914	23,263	26,227	29,577	191,113
Total	6,260	14,868	20,936	24,185	28,009	32,722	37,587	42,941	49,104	56,112	63,673	376,567
Assumption 3 (no change in real GNP or prices):												
Income tax on oil producers	3,639	9,816	14,456	17,150	20,251	23,752	27,462	31,707	36,737	42,126	47,791	274,961
Reduced income and payroll tax in nonoil sector [3]	−3,128	−7,835	−10,967	−12,183	−13,491	−14,886	−16,313	−18,116	−20,476	−23,079	−25,883	−166,357
Federal royalties	231	553	786	916	1,069	1,244	1,429	1,643	1,902	2,184	2,483	14,468
Net windfall profit tax [1]	4,345	9,397	12,548	13,733	15,121	17,030	18,892	20,914	23,263	26,227	29,577	191,113
Total	5,087	11,930	16,823	19,616	22,950	27,140	31,470	36,148	41,426	47,457	53,967	314,184

[1] Assumes House-passed bill.
[2] Assumes Federal spending equal to 20 percent of GNP.
[3] Assumes a marginal income and social security tax rate of 32 percent.
* Totals include small amounts of revenue from 1979.

Mrs. KASSEBAUM. Mr. President, it is clear from this, I believe, that the Senate can vote on this amendment at its face value. It seeks to portray the budget and the deficit in an accurate fashion. It seeks to instruct the Senate as to the real state of spending so that Congress does not delude itself about our economic posture. I think we can vote on this amendment with those things in mind and without regard to the politics of a windfall profits tax.

Mr. PACKWOOD. Mr. President, I assure the Senator from Kansas, having just come from the Finance Committee meetings this morning, that pretty reasonably and consistently, for the last 2 weeks, we have no intention of enacting a tax for the fun of enacting a tax and then deciding what to do with the revenues, be that a windfall profits tax or any other tax.

Second, as the Senator is aware, there is nothing in the $2 billion that the concurrent resolution asks the Finance Committee to raise saying that it has to come from a windfall profits tax. As a matter of fact, it cannot compel that; and if we choose to raise the amount in some other fashion, a point of order would not lie against it because it did not come from a windfall profits tax.

We will raise the extra $2 billion, but I assure the Senator from Kansas that what we are doing in the Finance Committee is looking at every conceivable form of tax credit that might produce energy or save energy.

We are looking at all the possible forms of taxation on oil—new oil, new new oil, old oil, tertiary oil, small producers, stripper exemptions, and thinking to ourselves how much money each of those would produce if we chose to enact them.

We are going at this on the basis of how much money we need for rational policy, not how much money we can get and then what the rational policy should be.

So that there is no guarantee that this $2 billion is going to come from any particular kind of tax. All I can assure the Senator from Kansas of is that we will do the best we can to bring to this floor a reasonable energy bill and tax package out of the Finance Committee; and if necessary for the revenues, we will enact some form of a windfall profits tax. We are not compelled to do so. The concurrent resolution does not compel that conclusion. We have not eliminated the possibility of using it, but I would not want the Senator from Kansas to think that we have to use it.

Mr. JAVITS. Mr. President, will the Senator yield me 3 minutes?

Mr. PACKWOOD. I yield.

Mr. JAVITS. Mr. President, I wish at this time to commend the members of the Budget Committee, in particular the chairman, the Senator from Maine (Mr. MUSKIE) and the ranking minority member, the Senator from Oklahoma (Mr. BELLMON) for the diligence and intelligence with which they have discharged their responsibilities in bringing this budget resolution before the Senate.

These are critical times for our country, Mr. President, and for the U.S. Congress, because we are faced with galloping inflation, including energy prices, and, most recently, a deepening recession, the scope of which we may not yet fully appreciate for some months to come.

The Budget Committee projects that in fiscal year 1980 unemployment will rise to 7.2 percent and the inflation rate will be about 9.8 percent. Of course, no one can tell how accurate these projections will prove to be. Inflation could run much higher than the projection, particularly if the dollar continues to slide; and unemployment could run much higher if the drop in production proves to be far deeper than economists now expect.

In addition, Mr. President, this year we have a new situation to accommodate, to wit: The effect of SALT on the defense needs of our country, both as to conventional and strategic weapons. We do not know at this time whether the Senate will ratify SALT, nor what additional real defense outlays that will require.

These economic and national security uncertainties have immensely complicated the work of the Senate Budget Committee in formulating Senate Concurrent Resolution 36. We must have a budget that keeps open our options; our flexibility to deal as appropriate with whatever circumstances our Nation may encounter next year.

We need to continue our efforts to reduce inflationary pressures by restraining the growth of the Federal budget and we need to keep our sights set squarely on the expectation of a balanced Federal budget we plan for fiscal year 1981, and the tax reductions contemplated in the resolution for fiscal year 1982 and beyond. We must try to keep the Federal budget deficit, if at all possible, below $30 billion in fiscal year 1980, even while we acknowledge that the deteriorating economic situation has been responsible for the deficit moving upward from $23 billion, adopted in the first budget resolution in May, to $28 billion today.

At the same time, we need to be prepared to act appropriately to mitigate the untoward effects of the current recession—which may turn out to be very serious—however they may manifest themselves, particularly in the older cities of our country and among the economically disadvantaged and minorities.

The adoption of a proper course for Federal fiscal policy during times like these—the balancing of the myriad conflicting priorities and claims on our financial resources—is an exceedingly difficult task; a very heavy burden to place on our Budget Committee. But I believe the committee has done a Herculean job under very perilous circumstances for our country.

Mr. President, I cannot state today that I am pleased with the budget resolution, as reported by the committee. It is not a budget I would have personally preferred to have before the U.S. Senate. But I understand what we must do to have a budget adopted by the Senate. We must all accept an equal share of the sacrifices. The day before yesterday I voted in favor of the Muskie motion to table the McGovern amendment to the committee substitute. The amendment would have restored $100 million to the budget for Federal subsidies for school lunches for nonpoor children. For me this was an extremely difficult vote. It is probably one of the only times I have had to vote against an amendment to provide additional funds for a Federal nutrition program—and I deeply regret having to do so. But I realize that given the incredibly uncertain economic circumstances our country has entered upon we must take some measured stand in support of a tight budget.

And, of course, yesterday we had the amendments to increase defense spending by 3 percent in real terms in fiscal year 1980 and by 5 percent in real terms in each of the 2 succeeding fiscal years. I voted in favor of the former, because of our Nation's commitment to NATO, which I believe must be honored. Our NATO allies need to be reassured as to the commitment the President made.

And today we have had the amendments to reduce revenues and Federal spending in contemplation of major income tax reduction in fiscal year 1980. I believe such a step at this time would be premature and potentially highly inflationary due to the very uncertainties I have just described. The current recession may be very shallow and of short duration; yet inflation may worsen. In my judgment it would be unwise now to prejudge our policies for next year's economic situation by committing the Senate today on the basis of what is crystal ball gazing. We have shown the country in three days of debate on this second budget resolution that we do have a flexible policymaking process for the Federal budget. If the need for additional economic stimulus manifests itself I believe we should be able to respond seasonably and correctly to tailor the Federal budget appropriately.

Senate action on Senate Concurrent Resolution 36 is indicative of the ability of Congress to respond appropriately and expeditiously to national and international circumstances. Before fiscal year 1980 is over we may very well need to have a third budget resolution to modify our spending and revenue ceilings, depending on the condition of our economy.

For right now, however, to the extent we can foretell the immediate future, I am satisfied that we have charted about the right course for the Federal budget. Accordingly, I intend to support Senate Concurrent Resolution 36, the second concurrent resolution on the budget for fiscal year 1980, Mr. President, unless there are some untoward amendments; so I expect to be able to support the resolution as it now stands.

Though I am not too satisfied with the way we handled the defense proposition, it is a fact that I think the budget now considers contingencies, if we continue to reject the tax cutting propositions which probably will be offered this afternoon.

I yield to no one in my affection and regard for Mrs. KASSEBAUM and for other Senators who are making these requests. However, it seems to me that, with a recession hanging over our heads; with

SALT II to be ratified, and the tremendously demanding defense revelations which are coming out in terms of the national security of the United States; with the dollar in great jeopardy because of the rush on gold, which means a dumping of dollars and a vote of no confidence in the dollar, it would be most unwise to make these commitments now.

Therefore, I respect the fortitude, the judgment, and the political courage of the Senators who are handling this bill, and I consider it an honor to be able to support them.

Might I say, too, because I am a politician like everyone else, that I consider it in the highest interest of the 18 million in New York, including the poor, that unless this economy is going to withstand this attack and then be able to recover and move uphill again—because of our determination to improve productivity and improve labor-management relations; and improve our exports; and improve our technology and our research and development; and improve our harmonious interrelation with the other industrial countries of the world; and improve our markets for export and the developing countries' markets for imports; and have the money to pay whatever it is going to take to make synfuels and everything else—I am not going to do any service to the poor of my State. That is why I am taking the position I am, and I thank my colleague for yielding me the time.

Mr. MUSKIE. I express my appreciation to the distinguished Senator from New York for what he has just said for his consistent support of the budget process, its development in the Governmental Affairs Committee, of which he was a constructive contributing member at the time, and for his consistent support since that time. I appreciate particularly what he has said.

Does the Senator from Kansas wish to take the floor?

Mrs. KASSEBAUM. I thank the Senator.

Mr. President, I wish to answer the Senator from Oregon in that I am pleased to hear that the Finance Committee has come up with the proposal in which they anticipate raising the revenue to cover the expenditures to meet our energy program.

I am very supportive of this. It was not that I was quarreling with what we needed to do in this area. It was that I felt it had not been done yet. It had not been structured yet. Therefore, it was misleading to include it in our budget as revenue.

There will undoubtedly be revenue there. But it will also probably be a wash. I am speaking only in terms of what I felt was a sound accounting procedure.

I am hopeful that the Finance Committee will be able to present a plan that is going to structure a tax that will meet our energy production needs. It is not any intention on my part to predict a tax cut, or, as I said, to have a vote on the merits of the windfall profits tax. It is simply what I felt was a sound accounting procedure at this point.

Mr. MUSKIE. Mr. President, I yield myself 5 minutes.

I think the thrust of what I am about to say or what I tried to say is not much different from that of Senator PACKWOOD. And I appreciate what he has had to say.

I think it might be helpful to the distinguished Senator from Kansas if I were to put into the RECORD at this point my concept of what was behind the numbers in the budget resolution, which her amendment would modify. I say at the outset she is a most valued new member of the Budget Committee. She is a regular and conscientious attendant on our meetings. She participates in them. She listens. Obviously, she listens intelligently because she asks intelligent questions. It is a joy to have her, and particularly since she is the only Member of her sex in the Senate to have her on the Budget Committee is a a mark of distinction for our committee. I say that not to try to soften her with respect to her amendment. It is simply to say something that I personally desire to say and this happens to be an opportune time to say it.

With respect to her concerns, may I say that in establishing the second resolution recommendation the Senate Budget Committee was confronted with a dramatic series of events, once again evidencing this Nation's vulnerability to and dependence on imported oil and our need for enhanced energy supplies.

This summer's gas lines and the OPEC price increase from $14.54 per barrel in April to $23.50 per barrel in August led to a whole host of new energy initiatives now pending before Congress. Included among the new initiatives was the President's $142.2 billion oil import reduction program.

As I say, these new initiatives emerged in the late spring and early summer. The Budget Committee was asked to consider them and what if anything we should do about them in the budget resolution in July.

In response to that new situation, which had not yet crystalized or been resolved in any significant way, the Senate Budget Committee by a vote of 11 to 5 increased the energy supply mission of function 270 by $22.5 billion in budget authority and $400 million in outlays in fiscal year 1980 to accommodate any of the various synfuels and conservation proposals pending before the Senate.

As I put it in my characterization of what the committee did, we simply voted to make room for the debate that obviously and inevitably was going to preoccupy this Senate at some point this year. Now clearly that debate is pending, and we may be on the threshold of it. I would not be one to try to predict with any precision what its outcome might be. So we really voted to make room for the debate.

I have reservations about doing it that way, because, if we make too much room in a budget resolution, we make room for too much spending of it. But with respect to the energy challenge that we faced in July, and the impossibility of trying to anticipate what the final resolution of that challenge or those challenges might be, we undertook—at least that was my motivation—to make sufficient room in the budget resolution to accommodate whatever that final resolution might be.

In fiscal year 1981 outlays in this mission were increased by $900 million and in fiscal 1982 budget authority was increased by $17 billion and outlays by $1.5 billion.

The Senate Budget Committee recommendation recognizes the need for increased domestic energy supply, energy conservation, and for reduction of oil imports. It does not prejudge the outcome of the debate on these issues. So on the spending side of the budget, we certainly did not resolve these subjects by any votes in the committee—all we intended to do was to make room for the Senate to resolve those issues in its own good time.

On the revenue side of the debate, I particularly clearly endorse what Senator PACKWOOD has said so that Senator KASSEBAUM's fears in that respect might be eased. I do not regard the revenue side as mandating a windfall profits tax. I think it mandates an increase in revenues which might conceivably come, depending on what happens to deregulation, from existing tax sources without new revenue legislation, and that possibility has been suggested in the course of the debate on the tax cut amendments that we have debated already this morning.

I do not discount that possibility. I take it into account as a possibility and there are others, including actions by the executive branch, without any new legislative action taken.

So the revenue side of it was not designed to be taken as a signal that we were mandating—we do not have the authority to mandate it anyway—or even seeking to mandate the enactment of a windfall profits tax.

The PRESIDING OFFICER. The Senator's 5 minutes have expired.

Mr. MUSKIE. I yield myself another 15 minutes.

We take it into account as a possibility for adding revenues, but there are other possibilities.

I would hope that anyone reading the record of what I say on this subject, as well as the record of what Senator KASSEBAUM and Senator PACKWOOD say, would clearly understand that this budget resolution does not mandate the passage of a windfall profits tax. It simply opens up the possibility that additional revenue might come from that source, as it could come from other sources, depending on what the Finance Committee may do, according to the need for revenues presented to it.

Mr. President, I think that covers Senator KASSEBAUM's principal concern. I doubt that what I have to say will persuade her to withdraw her amendment. I have no desire to pressure her one way or the other on that. But I hope that perhaps what I have had to say will somewhat ease her concern.

Mrs. KASSEBAUM. I thank the chairman very much. I appreciate his thoughtful remarks. I must say that such emphatic reassurance is always something one listens to with a bit of suspicion.

I would only like to come back with a quotation from a statement the Senator made yesterday. In commenting on some objections that were being made on the floor, the Senator said we should not assume a penny in extra revenues. This, I think, goes back to something we are assuming at this point which might not be there.

I appreciate the fact that you are trying to alay those suspicions, and would hope that you will be successful, because I do wish to ask for the yeas and nays on this amendment. We took seven votes in the Budget Committee before we finally were able to come up with the figure of the assumption that we did, but it was of concern to many of us that we were somewhat shooting in the dark.

Mr. MUSKIE. Let me make one other observation to the Senator. I felt that we needed to assume additional revenues, and that it was important that we get them in order to hold the deficit down under the deficit for 1979. It was not a casual kind of suggestion or a cosmetic kind of impulse or urge for additional revenue.

I think if we are to deal with inflation, as I stated in my argument here yesterday, that we must make a maximum effort to hold that deficit down, and that not all the burden should fall on the spending side of the budget, but some of it should fall on the revenue side. That was my motivation. I certainly agree with my own statement that the Senator has quoted. As a general statement, I think it is an eminently sound observation, that we ought not to make assumptions on the budget on either the revenue or the spending side we are not prepared to live with. That is really what I was trying to say.

I will be glad to ask for the yeas and nays.

Mrs. KASSEBAUM. I would like to yield time to the Senator from Colorado.

Mr. MUSKIE. Could we ask for the yeas and nays at this point?

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

The yeas and nays were ordered.

Mrs. KASSEBAUM. I yield to the Senator from Colorado.

Mr. ARMSTRONG. Mr. President, I appreciate the Senator from Kansas yielding me a moment of time. I congratulate and compliment her on taking the lead on this issue, and for bringing into perspective one of the most important considerations that is contained in this second concurrent budget resolution, and a consideration which, but for her initiative, would not have surfaced in this debate, and which would not be upon the record of this proceeding.

In listening to the discussion of the distinguished chairman of the Budget Committee, you would assume that what we are talking about here was really a very passive sort of thing, with a possibility that perhaps there might be some increase in revenues, as if this were but a natural process, sort of falling on the country like the gentle dew from heaven. In fact, nothing would be farther from the truth.

I invite the attention of Members of the Senate to the report of the Committee on the Budget on the second concurrent resolution on the budget, on page 25. I ask unanimous consent that the table which appears on that page be printed in the RECORD at this point.

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

BUDGET AND ECONOMIC FORECAST AND PROJECTIONS

[Dollar amounts in billions]

	Fiscal year—					
	1979	1980	1981	1982	1983	1984
Budget authority	$556.1	$632.2	$649.2	$722.5	$762.2	$833.1
Outlays	496.2	542.7	588.6	632.8	676.9	719.9
Revenues	466.3	514.7	603.6	658.4	744.4	837.2
Deficit (−) or surplus (+)	−29.9	−28.0	+15.0	+25.6	+67.5	+117.3
Tax change from current law (gross) [1]	−.1	+2.0	+9.7	−38.7	−58.3	−80.3

	Fiscal year—					
	1979	1980	1981	1982	1983	1984
Inflation rate, percent, consumer prices, fiscal year average	10.0	9.8	8.6	7.7	7.5	7.4
Unemployment rate, percent, fiscal year average	5.9	7.2	7.1	6.5	5.8	5.4
Real GNP growth, percent	3.2	0.0	3.5	5.0	4.6	3.9
Nominal GNP	$2,291	$2,500	$2,806	$3,177	$3,581	$4,009

[1] Includes general tax reduction of $55 billion, $75 billion and $100 billion in fiscal year 1982, fiscal year 1983 and fiscal year 1984 respectively, revenue raising cash management initiatives and other minor revenue changes.

Mr. ARMSTRONG. It can clearly be seen that what we are talking about here is not something automatic or something that might happen, or something that in some way is passive. We are talking about the positive recommendation of the Budget Committee that there be a tax increase.

I want to make it clear that I am not referring, when I say a tax increase, to the $58 billion increase in taxes which will be imposed on the people of this country as a result of bracket creep. We have aired that subject on many occasions, and I think it is clear to every Senator that as inflation imposes on the taxpayers higher tax brackets, a greater portion of their income finds its way into the coffers of the Government. That is why Senator ROTH, Senator DOMENICI, and many other Members of this body, including myself, have offered amendments to reduce the rate at which income is taxed.

But an even more ominous tax increase is assumed and recommended by the second concurrent budget resolution. That is the tax increase which is addressed by Senator KASSEBAUM's amendment. Again referring to page 25 of the committee report, let me just read a portion of the footnote which appears at the bottom of this table. Incidentally, I trust, Mr. President, that my request for inclusion of the table includes the footnote, because what it says, very simply, is that revenues shall be raised through "cash management initiatives and other minor revenue changes."

One of the so-called minor revenue changes which was discussed at some length in the committee report and was discussed at great length in the Budget Committee proceedings is a windfall profits tax. In fact, the amendment just submitted under the name of the chairman of the committee (Mr. MUSKIE) under the heading of argument against the Kassebaum amendment, would suggest that in some way this resolution leaves room in the budget for a tax increase only if, as, and when the Finance Committee presents it to us.

That suggestion is very wide of the mark indeed. A vote against the Kassebaum amendment is a vote for tax increases of at least $9 billion over the next 2 years. That is the $2 billion she seeks to strike in 1980 and the $6.9 billion she seeks to strike in 1981.

Some will say we will have a windfall profits tax. Perhaps we will. We will also perhaps have those golden gimmicks referred to in the committee report as "cash management initiatives."

Let me point out to the committee, if the chairman will look at this——

Mr. BELLMON. Mr. President, will the Senator yield for a question?

Mr. ARMSTRONG. I am happy to yield.

Mr. BELLMON. If the Senator will look at page 37 of the committee report, at the bottom of the last paragraph, he will find this language:

> The Committee assumes that new legislation will be enacted effective in FY 1980 to raise revenues by $2.0 billion in FY 1980, $9.7 billion in FY 1981, and $16.3 billion in FY 1982. These legislative assumptions could be fulfilled by a windfall tax on oil profits, proposals to restrict tax-exempt housing bonds, the Administration's proposed cash management initiatives, and other miscellaneous minor bills. No specific form of windfall profits tax was endorsed by the Committee.

I might say that one of the so-called gimmickry proposals is one that was introduced for a withholding tax on interest and dividends, which tax is now not being paid by a large number of American taxpayers, and the Treasury thinks it results in a revenue loss of at least a billion dollars a year.

I do not think the Budget Committee intended to endorse any specific sources that would generate this extra income.

Mr. ARMSTRONG. Mr. President, the Senator's point is exactly correct, and in fact it was precisely the next point I intended to make, that while the windfall profits tax has been alluded to as one of the possible sources of this tax increase, the real issue is that the Budget Committee is not a line item committee. What we are talking about is money, and this simply says we will extract x dollars, about $9 billion over the next 2

years, from the public in the form of increased taxes, either through increasing existing taxes, through a windfall profits tax, through cash management proposals, or in some form or other.

I would like to take a minute or two to talk about these cash management proposals, which I think could be one of the most important golden gimmicks intended to raise revenues.

The deficit computation assumes that the Finance Committee will report and the Senate will pass and Congress will enact those tax increases. Part of the estimated revenue increase, part of the assumption on which the committee proceeded, is the enactment of these golden gimmicks, an acceleration of employer deposits of withheld income, and payroll taxes for large companies. These companies presently are required to make payment of at least 90 percent of their tax liability, broken down into four payments each month. The proposal which has been endorsed and is contained in this resolution proposes to double the frequency of payment by these companies to eight times a month. In other words, these companies will have to submit payroll tax returns and make remittances not less than every 4 days every month of the year.

I think that that is carrying it a bit far. I think that the amount of revenue raised is trivial compared to the amount of effort involved and the sense of perpetual harassment that will thereby be engendered.

Another proposal which, in my judgment, is unwise and which will not be enacted, is the idea of withholding on certain kinds of bank deposits and investment income.

But the real issue is not whether we are for the windfall profits tax. The real issue is not whether we are for these cash management gimmicks. The real issue is whether or not we think taxes ought to go up another $9 billion as a result of new taxes over and above the $58 billion in bracket creep that is built into this bill. I will suggest to you that it is going up a great plenty. I think we owe a debt of gratitude to the Senator from Kansas for bringing this amendment to the floor. I, for one, am going to support it and I hope it will pass unanimously.

Mr. DOLE. Will my colleague from Kansas yield to her colleague from Kansas?

Mrs. KASSEBAUM. I yield.

Mr. DOLE. Mr. President, let me first suggest that I appreciate the fact that Senator KASSEBAUM has offered the amendment. I agree with the comments she has made and also the comments of the distinguished Senator from Colorado.

I am not certain what would happen if we brought a "windfall profits tax" that is not really a windfall profits tax in any event; it is an excise tax or a severance tax. But if it were less than $2 billion, I am not certain what the Budget Committee would say then.

I think, in fact, what we are doing is the Budget Committee has already passed a windfall profits tax.

Mr. BELLMON. If the Senator will yield, that is simply not the case. The language which the Senator from Kansas evidently missed on page 37 says we are not endorsing or assuming any particular tax.

Mr. DOLE. What if we brought a windfall profits tax to the floor of less than $2 billion? Would it be subject to a point of order?

Mr. BELLMON. It would not.

Mr. DOLE. I remember that last year, the distinguished Senator from North Carolina (Mr. HELMS), with reference to the gas taxes—we were debating whether or not we should be able to deduct gas taxes. The Budget Committee said we should not. Then the Senator from North Carolina offered an amendment and it was subject to a point of order, because it reduced the revenue. I can see ourselves getting into the same position with reference to passing on a so-called windfall profits tax.

I do not want to quarrel with the distinguished Senator from Oklahoma, because I know his feeling on the so-called windfall profits tax.

Mr. BELLMON. Let me say to the Senator from Kansas that a measure that will reduce revenues below the revenue floor in the resolution would be subject to a point of order, but the point of order does not lie against a revenue-raising issue.

Mr. DOLE. This would be less than the amount suggested by the Budget Committee.

Mr. BELLMON. That is true. As long as the measure does not lower the revenues, there is no point of order that would lie.

Mr. DOLE. I appreciate that. I know the strong feeling of the Senator from Oklahoma with reference to the so-called windfall profits tax.

I suggest that, this morning in the Finance Committee and yesterday morning in the Finance Committee, we worked on production credits and today we worked on residential credits, incentives, conservation. We are talking about billions of dollars over the next 10 years. There will be a tax. I am not certain how much the tax will produce in the first year, but it may be offset by an equal amount of tax credits. That is the point the Senator from Kansas would make. If, in fact, that happens, is it subject to a point of order or not?

Mr. BELLMON. If the Finance Committee brings to the Senate a revenue measure that is a wash—that neither raises nor lowers revenues—a point of order would not lie.

What the Senator from Oklahoma is saying, if you go ahead and offset any increases in revenues due to a windfall profits tax by tax credits, it would not be subject to a point of order.

Mr. DOLE. Would we have to find the $2 billion some other place in the Finance Committee?

Mr. BELLMON. That is the assumption in the resolution, but under the law under which we operate, no point of order would lie if, in fact, the Finance Committee generated less than $2 billion in windfall profits tax.

Mr. DOLE. I appreciate that, because we are in the process now of trying to determine how we are going to produce energy in this country rather than produce taxes in this country. It has been suggested that the Committee on Finance should pass a so-called windfall profits tax, which would raise estimates ranging from $105 to $125 billion—in fact, $145 billion—with the so-called windfall profits tax. Then we add to that the increased Federal income tax, plus Federal royalty payments of another $175 billion. That is taking away from industry in excess of $300 billion.

Now, there will be a tax, but how much should the tax be and how much can you take away from any industry and still leave some incentive for production? If we are going to produce energy, we have to have some profit. It is not illegal to make a profit in America. Even if you are in the oil business, it is not illegal to make a profit.

I suggest that because of what could be a problem down the line. Even though I appreciate the assurances from the distinguished Senator from Oklahoma, being on the Committee on Finance and, at this very moment, trying to figure out how we structure the tax so we can produce more energy in this country, I would certainly not want to be locked into any dollar figure.

I appreciate Senator KASSEBAUM'S raising the question. It seems to me that what this could be is maybe not an intentional deception, but a deception to reduce the deficit, putting the onus on the Finance Committee to, somehow, come up with a couple of billion dollars.

Of course, the couple of billion dollars will probably be the so-called windfall profits tax. It will raise a good deal more than $2 billion over the next 10-year period. It will raise billions and billions of dollars through a tax, but much of that will be offset through billions and billions of dollars of tax credits.

I thank my colleague for yielding.

Mrs. KASSEBAUM. I thank the Senator very much.

Mr. President, I yield time to the Senator from Oklahoma.

Mr. BOREN. I thank the junior Senator from Kansas. I want to echo what has just been said by the distinguished senior Senator from Kansas. I think what we are dealing with here is not-too-subtle pressure on the Finance Committee implied in this resolution to raise taxes on the American people.

One of two things will likely result if the amendment now under discussion is not adopted. First, we shall pass a windfall profits tax with terms that might well distort what would be in the best interests of the American people. I feel very strongly that the responsibility facing the Committee on Finance at this moment in consideration of the windfall profits tax is not a responsibility to raise a certain amount of revenue to put into the Government Treasury. The responsibility facing that committee should, first and foremost, be a responsibility to make sure that the dollars from American consumers are best used to produce the greatest amount of energy possible or to save, through conservation, the greatest amount of energy possible. The test should be that we should adopt a program which would be cost effective,

which will give the American people the greatest possible amount of energy per dollar spent, or the greatest possible amount of energy saved per dollar spent. That is our mission. That is our responsibility. If, through this resolution as it is now worded, we impose pressure on the Committee on Finance to make its No. 1 priority the raising of $2 billion in additional revenue instead of the drafting of a program to help solve the energy crisis in this country, it will certainly be a grave mistake.

Let us suppose, on the other hand, that the committee should refuse to be influenced by this kind of subtle pressure and, perhaps, turn to other revenue-raising measures instead of trying to gain $2 billion through the windfall profits tax. Then we are exerting another kind of pressure on the committee. That pressure is to raise the taxes on the American people, who are already, as the Senator from Colorado has said, facing an additional automatic $58 billion increase in income taxes because of the bracketing effect as impacted by inflation, as taxpayers are forced into higher and higher income tax brackets, even though their purchasing power has not gone up.

I think the people are saying every day: Enough is enough; we are paying too many taxes already; we are already overburdened by a Government that is too large. I suggest that we have an opportunity, by voting for this amendment, to carry the message here in an effective way, which our constituents have given to us.

That is, let us not balance the budget by imposing more tax burdens on the backs of the American taxpayer. Let us face up to our responsibility and work to balance the budget through reducing the cost of Government.

Beyond that, let us not be stampeded into passing an energy package, a so-called energy package, for the purpose of raising tax revenue for the Treasury instead of for the purpose of meeting the energy needs of this country.

I commend the Senator from Kansas. I am proud to join with her in urging the passage of this amendment.

The PRESIDING OFFICER. Who yields time?

Mr. BELLMON. Mr. President, I yield myself 5 minutes.

Mr. President, as the Senator from Kansas will know, I am basically sympathetic to her concern about the inclusion of a sizable windfall profits tax, or any other revenue-generating measure, in this resolution.

I first opposed the effort to include this tax in the committee, as Members know, and I voted against such motions several times and offered a motion of my mine to lower the assumption and was defeated in this effort.

In my opinion, the windfall profits tax assumption in the resolution was approved for what were considered good reasons, some of those have been explained by the chairman already.

The vote on that proposition carried very narrowly, only 7 to 5.

Because of the delicate balance reflected in the budget resolution, I feel that I must vote against the Kassebaum amendment for other reasons.

First of all, I intend to oppose any windfall tax bill that comes to this floor. I do not believe windfall taxes are in the national interest at a time when we are trying to figure a way to solve the energy crisis and when we can best do that by leaving in the hands of the private sector the resources that industry must have to get about the job of producing more energy from our abundant domestic resources.

So I do not intend, under any circumstances, to support a windfall tax proposition on the floor.

The assumed increase in revenue in the resolution can come, and I think this is a main point, from a variety of other sources. We have already quoted from the committee report, page 37, that shows what some of these sources are.

I, personally, have introduced a bill to withhold tax on interest and dividends which would raise revenues $2.3 billion in the first year. We are losing $7 to $14 billion in unreported incomes, according to the Treasury estimates.

This is not a tax increase. It is revenues presently owed under existing law and which, because of the way the law is being administered, are simply not being collected. It amounts not to a new tax, but to the closing of a tax loophole and, in fairness and equity, I feel this change in our law ought to be made, regardless of the revenue impact.

It is fortunate that it would generate more than called for in this second resolution.

The budget resolution cannot require that changes in the budget aggregates come from specific legislative changes. For this reason, while I support this pending resolution, I will continue to try to cause the increased revenues to come from other sources than a windfall profits tax, such as the bill I have introduced, which I just mentioned.

Turning now to the spending side of Senator KASSEBAUM's amendment, I understand she reduces function 270 (energy) budget authority by $22.5 billion and $0.4 billion in outlays. She is thus taking out all of the allowance for new energy initiatives assumed in the budget resolution.

Here again, I have a lot of sympathy for Senator KASSEBAUM's position. I voted against the motion which added this money to the resolution. I thought a considerably smaller allowance for new energy initiatives, such as synthetic fuels.

Nevertheless, I support the position the budget resolution reflects of allowing enough room for Congress to consider all reasonable alternatives for promoting our Nation's energy independence.

My own view—reflected in a bill Senator WALLOP and I have introduced—is that a fairly low cost program of price guarantees is the best approach for promoting the development of synthetic fuels.

If that approach is chosen by Congress, we will not need anything like the amount of budget authority this resolution provides.

But again, I reluctantly must oppose Senator KASSEBAUM's efforts because it is important that we preserve a broad range of options in the critical area of energy development.

The PRESIDING OFFICER. Under the previous order, the hour of 2:15 having arrived, the vote will now occur in relation to unprinted amendment numbered 563 offered by the Senator from Colorado (Mr. ARMSTRONG).

The yeas and nays have been ordered on the amendment and the clerk will call the roll.

Mr. DOLE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOLE. Following the votes on the two amendments, we will then return to the Kassebaum amendment?

The PRESIDING OFFICER. The Senator is correct—I think there are three amendments.

The clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Vermont (Mr. STAFFORD) is absent on official business.

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

The PRESIDING OFFICER. Are there any other Senators in the Chamber wishing to vote who have not done so?

The result was announced—yeas 38, nays 61, as follows:

[Rollcall Vote No. 296 Leg.]

YEAS—38

Armstrong	Gravel	Percy
Baker	Hatch	Pressler
Bentsen	Hayakawa	Proxmire
Boren	Heflin	Roth
Boschwitz	Helms	Schmitt
Byrd, Harry F., Jr.	Humphrey	Schweiker
Cochran	Jepsen	Simpson
Cohen	Kassebaum	Stevens
Danforth	Laxalt	Thurmond
Dole	Lugar	Tower
Domenici	McClure	Wallop
Garn	Nunn	Warner
	Packwood	Zorinsky

NAYS—61

Baucus	Goldwater	Moynihan
Bayh	Hart	Muskie
Bellmon	Hatfield	Nelson
Biden	Heinz	Pell
Bradley	Hollings	Pryor
Bumpers	Huddleston	Randolph
Burdick	Inouye	Ribicoff
Byrd, Robert C.	Jackson	Riegle
Cannon	Javits	Sarbanes
Chafee	Johnston	Sasser
Chiles	Kennedy	Stennis
Church	Leahy	Stevenson
Cranston	Levin	Stewart
Culver	Long	Stone
DeConcini	Magnuson	Talmadge
Durenberger	Mathias	Tsongas
Durkin	Matsunaga	Weicker
Eagleton	McGovern	Williams
Exon	Melcher	Young
Ford	Metzenbaum	
Glenn	Morgan	

NOT VOTING—1

Stafford

So Mr. ARMSTRONG's amendment (UP No. 563) was rejected.

UP AMENDMENT NO. 564

The PRESIDING OFFICER. Under the previous order a vote will now occur in relation to unprinted amendment No. 564 offered by the Senator from Montana (Mr. MELCHER).

The question is on agreeing to the amendment of the Senator from Montana. On this question, the yeas and nays have been ordered and the clerk will call the roll.

The second assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Vermont (Mr. STAFFORD) is absent on official business.

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

The PRESIDING OFFICER. Is there any Senator in the Chamber who has not voted and desires to do so?

The result was announced—yeas 9, nays 90, as follows:

[Rollcall Vote No. 297 Leg.]

YEAS—9

Baucus	Byrd, Robert C.	McGovern
Bayh	Jackson	Melcher
Burdick	Magnuson	Metzenbaum

NAYS—90

Armstrong	Gravel	Fell
Baker	Hart	Percy
Bellmon	Hatch	Pressler
Bentsen	Hatfield	Proxmire
Biden	Hayakawa	Pryor
Boren	Heflin	Randolph
Boschwitz	Heinz	Ribicoff
Bradley	Helms	Riegle
Bumpers	Hollings	Roth
Byrd, Harry F., Jr.	Huddleston	Sarbanes
	Humphrey	Sasser
Cannon	Inouye	Schmitt
Chafee	Javits	Schweiker
Chiles	Jepsen	Simpson
Church	Johnston	Stennis
Cochran	Kassebaum	Stevens
Cohen	Kennedy	Stevenson
Cranston	Laxalt	Stewart
Culver	Leahy	Stone
Danforth	Levin	Talmadge
DeConcini	Long	Thurmond
Dole	Lugar	Tower
Domenici	Mathias	Tsongas
Durenberger	Matsunaga	Wallop
Durkin	McClure	Warner
Eagleton	Morgan	Weicker
Exon	Moynihan	Williams
Ford	Muskie	Young
Garn	Nelson	Zorinsky
Glenn	Nunn	
Goldwater	Packwood	

NOT VOTING—1

Stafford

So Mr. MELCHER's amendment (UP No. 564) was rejected.

(Later the following occurred:)

Mr. BAYH. Mr. President, I noted with some surprise the vote I cast on the amendment of the distinguished Senator from Montana was listed in the negative where I thought I had cast it in the affirmative. That will not change the outcome of the rollcall.

I ask unanimous consent that the vote I cast on rollcall No. 297 be changed from the negative to the affirmative.

The PRESIDING OFFICER. Is there objection to the request?

Without objection, it is so ordered.

(The foregoing vote has been corrected to reflect the above order.)

AMENDMENT NO. 565

The PRESIDING OFFICER. The question now recurs on unprinted amendment No. 565 offered by the Senator from Kansas (Mrs. KASSEBAUM). The remaining time on the amendment is 31 minutes for the proponents and 45 minutes for the opponents.

Who yields time?

Mrs. KASSEBAUM. Mr. President, there is how much time left, 30 minutes?

The PRESIDING OFFICER. Thirty-one minutes for the proponents and 45 minutes for the opponents of the measure.

Mrs. KASSEBAUM. While we are in the process of negotiations on this, Mr. President, I should like to speak to some of the background on this amendment that I am introducing, because it did produce a lot of controversy in the Budget Committee when we were discussing it.

At the time that this came up under revenue consideration in the Budget Committee, we had a letter from the Committee on Finance asking that we not make that assumption in the second concurrent budget resolution, because they wanted the flexibility to structure energy legislation which they felt was important.

I think this is a question that we are all addressing one way or another, those who voted for including $2 billion in revenue at that point from a windfall profits tax. It was stated at the time in a motion that was made by Senator EXON that was approved in the Budget Committee and how we are going to meet these energy needs.

I think it certainly is false, one of the reasons that was given to oppose this measure, that we are not seeking to curtail energy programs. We are just interested, all of us, in conservation.

The PRESIDING OFFICER. Let us have order in the Chamber.

Mrs. KASSEBAUM. In the list of reasons to oppose, there may be many reasons why this should be opposed. As I said earlier, it is not my intention to make this an up or down vote on the windfall profits tax. That is not the issue.

Nor is it, as No. 8 in reasons to oppose, oil import reductions resulting from enhanced conservation and production, considered by some as vital to our national security. They are considered vital by all of us. It certainly would not be one of the reasons that I think would be relevant to oppose my amendment. What we are trying to address in this particular moment is just how this should be properly structured to give an adequate reflection to our accounting procedures in the budget process.

Mr. HATCH. Will the Senator yield?

Mrs. KASSEBAUM. I yield to the Senator from Utah.

Mr. HATCH. Mr. President, I should like to ask the distinguished chairman of the Committee on the Budget, the Senator from Maine, a couple of questions relating to parliamentary status. I am concerned about this windfall profits tax problem and I want to establish a record. I think my friend and colleague can help me do that, because he understands the Budget Act and the Budget Committee process as well as if not better than anybody on the floor of the Senate.

If the second concurrent budget resolution passes in its present form, when the windfall profits tax comes up for consideration after the second concurrent budget resolution passes, am I correct in assuming that if somebody tried to increase the windfall profits tax or decrease it, a point of order could be raised? Is that the viewpoint of the chairman of the Committee on the Budget?

Mr. MUSKIE. If the Senator is asking me a question about a hypothetical revenue bill, I really hesitate to give a parliamentary ruling or to buy one without seeing the bill.

Obviously, the budget resolution sets a ceiling on spending and a floor on revenues. The point of order is the way that both are protected on the Senate floor. To try to envision every kind of spending bill and to ask hypothetical questions about hypothetical amendments that might be offered to it and how the point of order would be applied is not a very good way to make parliamentary rulings. Obviously, there is a revenue floor in the budget resolution, which the Budget Act says is to be protected. Exactly how the protection would be advanced with respect to a particular situation, I find it a little difficult to try to rule on in advance.

(Mr. MAGNUSON assumed the chair.)

Mr. HATCH. If I could ask it this way, just so everybody on the floor understands: As I understand it, the windfall profits tax in the resolution is $2 billion.

Mr. MUSKIE. No, no. The record is clear on that. I have made it very clear that the $2 billion in the resolution does not assume or mandate passage of the windfall profits tax. It assumes that in order to hold the deficit down, part of the burden of doing so should rest on the revenue side of the budget as well as on the spending side of the budget, and how the revenue is raised is the responsibility of the Finance Committee of the Senate and the Ways and Means Committee of the House. And there are other options.

I do not interpret the $2 billion as a mandate to pass the windfall profits tax. Obviously, because the House has passed one and because the President has requested one, that is one of the options that the Finance Committee is going to be considering. Whether or not it approves one or what kind it will approve or what recommendations it might make to use its proceeds are questions not yet answered. So I am not prepared to answer them.

I just want to make clear on the record here, as I thought I did earlier today in extensive discussion, that the $2 billion does not mandate the passage of any particular kind of tax. As a matter of fact, as Senator ARMSTRONG suggested in his debate on his amendment, it could well be that as a result of faster deregulation of oil, revenues from existing law might very well cover the additional revenues anticipated in the budget resolution, so we may not even need revenue-raising legislation, depending upon what that is.

Mr. HATCH. I understand what my colleague is saying. Let us assume $2 billion is raised by whatever means. At this point, would a point of order lie against an amendment reducing the $2 billion?

Mr. MUSKIE. This is not a parliamentary ruling or even a recommended ruling.

Mr. HATCH. I understand. What is the viewpoint of my colleague?

Mr. MUSKIE. Let me give my caveats. This is not a parliamentary ruling or even a recommended ruling, because I do not think it is particularly useful or helpful to give hypothetical rulings to

hypothetical propositions in the course of a debate on any piece of legislation. I would not do it as a lawyer.

I remember when I was in law school and the professor advised us all on how to deal with the first client to come into the office. The client comes in and lays out a fact situation. You are so fresh from your law school course that you remember exactly what the law is as to that situation. But if you are wise, you say to the client, "Come back tomorrow."

Then, in the next 24 hours, you study that question anew and make sure your recollection is right. Then, if your recollection is right, you give him that advice.

Then, after you have given him the advice, the second day, on his heels, another client comes in and puts to you a fact situation that is almost identical, what seems identical to the first client. Do you give him advice on the spot? No, you do not. You delay him 24 hours to study those facts and make sure they are identical and the same law applies. Then when he comes back, you give him your advice.

Mr. HATCH. What is the Senator's tentative feeling on this matter?

Mr. MUSKIE. What I am saying here is as an ad hoc, casual opinion in response to your question, and probably not very useful. But with that caveat, I am not reluctant to say it.

If the bill that comes to the floor is a revenue raiser, but it does not raise the full $2 billion that is implied in the resolution, in my judgment, it would not be subject to a point of order. So if the first bill does not provide the total $2 billion, I do not believe that is subject to a point of order and I would not raise it unless the parliamentary situation were different than that.

If an amendment is offered to that bill which reduces the revenue potential of that bill but does not reduce it by a billion dollars, should that be subject to a point of order? I really do not know. I do not know what my final judgment on that would be.

The second hypothetical, suppose the first amendment would reduce the revenue potential of that bill by $1.5 billion.

There, I am more disturbed. There, I am more disturbed because it is conceivable that no other amendments would be offered and, if that amendment is adopted without being challenged by a point of order, that the net effect of the bill might be to reduce revenues by $0.5 billion and there might not be a subsequent chance to change the effect of the bill.

So that creates problems.

Or suppose a third hypothetical situation which has been discussed on the floor: Several amendments reducing revenue are offered and the net effect of all of them is to preserve some of the revenue potential of the bill, but the effect of any one of them standing alone might be to destroy the revenue-raising potential of the bill.

Well, I do not know how it would come out with the Parliamentarian.

I do not know what my final judgment would be with respect to that.

I think some flexibility in this process is desirable. But those are the hypothetical situations that occurred to me, or that have been suggested to me.

I do not know what the final ruling would be.

The objective, of course, of the point of order is to preserve the revenue floor of the resolution. How these different situations would be protected by that point of order is a legitimate question. I think it needs to be studied. I would dislike very much to see us try to resolve it finally today before we have had an opportunity, really, to study the implications of each of these possibilities, and there may be others.

Mr. HATCH. To answer my particular hypothetical, if there was $2 billion raised, by whatever means, and somebody came in with an amendment to reduce that amount, would not a point of order lie against that amendment to reduce?

Mr. MUSKIE. It may very well. I think the answer is similar to what it would be for an amendment to a bill which is within the spending limits of the budget resolution, but which, by itself, would breach them. Would that amendment be subject to a point of order?

I do not have a sharp, complete recollection of the precedents here to even answer that question.

Mr. HATCH. If I recall correctly, the points of order have been raised in precisely that situation.

Mr. MUSKIE. If they are, that is one of the weapons of the Budget Act. But how it would necessarily apply to the whole range of possible parliamentary situations in which we might find ourselves is a little hard to say here on the floor of the Senate.

The Senator's imagination is pretty fertile. So is mine. But I doubt very much we could lay down all the permutations upon which the Parliamentarian might be asked to rule.

Mr. HATCH. I yield to the distinguished Senator from Kansas.

Mr. DOLE. Mr. President, a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator will state it.

Mr. DOLE. Mr. President, assuming that the amendment by the distinguished Senator from Kansas (Mrs. KASSEBAUM) is defeated, and the Finance Committee reports a bill to the floor with $1 billion in revenue—not $2 billion, but $1 billion of revenue—and some Senators stand up to offer a tax credit, of any amount, that would reduce that $1 billion, would that be subject to a point of order in accordance with section 311 of the Budget Act?

The PRESIDENT pro tempore. Yes, it would.

Mr. DOLE. It would be subject to a point of order.

I suggest that is the key. I do not know of any Senator on this floor, those on the floor will understand they should bring all their amendments to the Finance Committee, that someone will not get the message, there is always somebody who does not.

Mr. MUSKIE. Could I put another parliamentary point.

Mr. DOLE. Could I finish this point?

Mr. MUSKIE. I think the Senator ought to discuss both points.

Mr. HATCH. Then I would like to make a point.

Mr. MUSKIE. I do not think the Kassebaum amendment changes the situation.

Mr. President, assume it prevails, that the $2 billion additional revenue assumption in the budget is dropped, thus raising the deficit by $2 billion.

Let us assume the windfall profits tax comes to the floor with all its proceeds earmarked for production incentives, conservation incentives, and others, so no revenue is raised in it beyond what is earmarked for purposes.

Now, at that point, if a Senator offered an amendment, a tax cutting amendment of the kind discussed by the Senator from Kansas, would it be subject to a point of order?

The PRESIDENT pro tempore. If it has the effect of eroding the reconciliation process, it would.

Mr. MUSKIE. Of what?

The PRESIDENT pro tempore. If it has the effect of eroding the reconciliation process, then it would be subject to a point of order.

Mr. MUSKIE. So that the Kassebaum amendment, if it fails, has nothing to do with the parliamentary problems of anybody offering a revenue reduction amendment to the Internal Revenue Code.

I mean, the fact we assume $2 billion of additional revenue does not change the nature of the ruling that has to be made if a tax reduction amendment which would reduce revenues below the floor in the budget resolution were offered.

I am perfectly willing to engage in these parliamentary exercises, but may I say to my good friends, time is running on this bill. There is one more amendment to come. We have tried to accommodate every amendment and every Senator with an amendment within the time limitation of the law.

I would sincerely hope that we get to the amendment, take as much time on the Kassebaum amendment as we need, but hopefully exercise some restraint in the consumption of time so other Senators can be accommodated.

The PRESIDENT pro tempore. Who yields time?

Mr. HATCH. Mr. President, I think I have the floor.

The PRESIDENT pro tempore. The Senator from Kansas.

Mr. HATCH. Will the Senator yield me some time?

Mrs. KASSEBAUM. I yield some time to the Senator from Utah.

Mr. HATCH. Mr. President, I am concerned because I support the Kassebaum amendment. I think it is a good amendment.

What I am concerned about is the argument being used against Mrs. KASSEBAUM's amendment here that if it is passed it will foreclose increasing the revenues in the future, or if it is not passed it may be subject to a point of order if it is raised in the future, except in the Finance Committee itself.

I think it is an important issue. I just want to bring that up.

Might I propound one more parliamentary inquiry, and then I will quit the floor?

The PRESIDENT pro tempore. The Senator will state it.

Mr. HATCH. Is it not true, if we want to avoid these parliamentary problems in the future, perhaps the method to do so would be to move under section 904(b) to suspend the Budget Act for the windfall profits tax legislation.

Would that be the parliamentary way of solving the problem and can we do it in advance during this debate so that we can protect the rights of Senators in the future?

The PRESIDENT pro tempore. Did the Senator propound a parliamentary inquiry?

Mr. HATCH. I did.

The PRESIDENT pro tempore. It is possible to waive the requirements of 311 of the Budget Act by motion.

Mr. HATCH. Am I correct in assuming it is a motion pursuant to 904(b) to suspend the Budget Act?

The PRESIDENT pro tempore. Yes. That is correct.

Mr. HATCH. Can that motion be made in advance of a future debate, during this present debate?

The PRESIDENT pro tempore. It could be done in advance.

Mr. HATCH. I thank the Chair.

I call the attention of my colleagues to this issue, which I think is important.

I do not want arguments being raised against the Kassebaum amendment at this time that points of order may be raised in the future as a result of her amendment at this time. I want my colleagues to realize that points of order could lie in the future, should the Kassebaum amendment not be agreed to and $2 billion worth of revenues raised. Then any reduction in the windfall profits tax, assuming that is the area where the revenue is raised, may be subject to a point of order. I just want to make the record on that particular issue.

Mr. MUSKIE. I yield myself 2 minutes.

Mr. President, if I ever saw or heard or smelled a red herring, this is it.

Of course, the Budget Act can be suspended, just as the rules of the Senate can be suspended. We suspend the rules of the Senate every day.

Section 904 of the Budget Act says nothing that would not be the fact if section 904 did not exist.

The Senate, by unanimous consent, can suspend the Budget Act, just as it can suspend any rule or all the rules, which we do every day.

However, what the Senator from Utah seems to be encouraging is that we do it on a routine basis, on a wholesale scale, and even in advance of specific issues, because he does not like the Budget Act. At least, he does not like that part of it that he finds uncomfortable.

Of course, the revenue side of the budget resolution is subject to a point of order. What other discipline is available for that purpose? Just as the spending side is, and I do not see him quarreling with a point of order on the spending side. I never heard him quarrel about that, only about the point of order with respect to the Kassebaum amendment, and that is a red herring.

The ruling he is talking about would apply to this resolution if the Kassebaum amendment prevails, in the same way it would apply if the Kassebaum amendment is defeated.

So that is what this argument is all about, except perhaps as a devious way to frighten people into voting for the Kassebaum amendment on irrelevant grounds.

This is a straightforward issue. I have not made any argument against the Kassebaum amendment that should have provoked this parliamentary can of worms. I have answered her concerns on a straightforward basis. Because the Senator from Kansas felt that including this $2 billion was, in effect, an endorsement of the windfall profits tax, I made it clear 2 hours ago that that was not the implication we have drawn from that $2 billion revenue assumption.

As to a concern that such large amounts encourage budgetary slackness, there is that danger. But what we tried to do is to put in numbers, on both the spending side and the revenue side, that would accommodate the debate on all these energy issues which have not yet been resolved. We may have put in too much room, as events may prove, one way or another; but the Senate and the House have that potential within their control. So I do not see why we should be that alarmed.

Mr. President, I reserve the remainder of my time.

Mrs. KASSEBAUM. I yield 2 minutes to the Senator from Kansas (Mr. DOLE).

Mr. DOLE. I thank the Senator.

Mr. President, on page 126 of the hearings of the Budget Committee it says:

> Exon motion to increase revenues by assuming windfall profits tax of $2 billion.

That is rather specific so far as the Senator from Kansas is concerned.

However, the point I make—and it is not a red herring—is this: What my distinguished friend from the Budget Committee is saying is that we cannot reduce the $2 billion. If we come out of the Finance Committee with a net so-called windfall profits tax of $2.5 billion, we can take it down to $2 billion. Nobody quarrels with that. The point is that if we come out with $1.4 billion, after all the credits we are assuming in our committee today and the next day and the next day, then anyone who offers an amendment to reduce that by $10 million will be subject to a point of order.

I yield to the distinguished Senator from Oklahoma, who made even a better point a minute ago in discussing this with me.

Mr. BOREN. I thank the Senator for yielding.

Mr. President, what we are dealing with here is not a red herring at all. It is a very real issue.

I submit, with all due respect, that the red herring has been brought in by the distinguished chairman of the committee in stating the case as follows: If we had a bill which raised no revenue, then even without the Kassebaum limit, a motion to reduce it would be subject to a point of order. That is the red herring, because that is a case that never will occur.

The case that is very likely to occur is that the Finance Committee would vote out a bill which raised some revenue, let us say $2 billion of revenue, and then an amendment is offered to reduce that amount of revenue, let us say to provide some exemption with the Kassebaum amendment. That motion would not be subject to a point of order.

However, without the Kassebaum amendment, assuming that we would be raising some $2 billion and then there was an amendment to reduce that amount, it would be subject to a point of order, and of course it could be changed by unanimous consent.

What we are really saying here is that, given the more likely case of what is likely to come out of the Finance Committee, Members would not be able, on the floor of the Senate, on one of the most important matters to come before the Senate in this year, a matter of grave concern to the future of this Nation in assuring an adequate energy supply for our people—that Members of the Senate would not be able to offer amendments which reduce the revenue figure below $2 billion, even if those amendments were cost effective in getting the people of this country more energy.

I submit that that is a very serious matter. It is not a red herring. It is something aimed at encouraging the process of debate and the deliberative process in terms of cost effectiveness on one of the most important issues this body faces.

So there is a distinct difference in whether or not we have the Kassebaum amendment, in terms of flexibility and the freedom of individual Members to offer amendments.

I say again, with all due respect, that I am afraid the only red herring is the fictional possibility raised by the chairman of the Budget Committee of the circumstance in which we never are likely to be operating.

The PRESIDENT pro tempore. The time of the Senator from Kansas has expired.

Mr. MUSKIE. Mr. President, I again urge Senators, if they can find it within their plans, to find a way in the remaining time to accommodate the conclusion of the debate on this amendment and the amendment to follow.

I do not need any more time on this amendment. I doubt that anything further I might say would be persuasive to anybody in the ranks of my opposition.

I am ready to yield back the remainder of my time.

Mr. MELCHER. Mr. President, will the chairman yield?

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

The PRESIDENT pro tempore. The Senator from Kansas has 7 minutes.

Mr. MELCHER. Mr. President, will the chairman yield to me?

The PRESIDENT pro tempore. The Senator from Maine has 41 minutes.

Mr. MUSKIE. Mr. President, I yield back 36 minutes of my 41 minutes.

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

Mr. MUSKIE. I yield.

Mr. MELCHER. Mr. President, just for amplification and for the edification of the Senate, if any tax cuts were offered that would be below the amount in the budget resolution, to raise less revenue, it would be subject to the same restrictions or constraints as those talked about here in the windfall profits tax.

Mr. MUSKIE. That is exactly the point I was making, which was described as a red herring. It depends upon whether the ruling is one you like or one you do not like.

I have been brought up pretty close to herring on the coast of Maine, and I think I recognize a red one when I see one. [Laughter.]

The Senator is correct.

Mrs. KASSEBAUM. Mr. President, I yield to the Senator from Louisiana.

Mr. LONG. Mr. President, the way I understand the situation, the Senator from Kansas (Mrs. KASSEBAUM) definitely has a cause for concern. The way I understand this situation, when the Committee on Finance reports out the windfall profits bill it will not be subject to a point of order if it raises as much as 1 cent net to the Treasury.

Now, if it lost money, of course it would be subject to a point of order.

I have discussed this matter with the Parliamentarian and I would like to be corrected if I am in error here. Let us assume the Finance Committee reports out a bill that raises a net of $1 billion, perhaps including some amendments that raise taxes and some that provide tax credits and deductions. Then other Members of the Senate would be foreclosed from offering any amendment that would reduce the revenue gain in that bill. In other words, the committee could recommend a reduction, but anything that could not muster majority vote in the committee could not be offered on the floor by a Senator, to take care of a matter about which he is concerned.

Mr. President, I am not happy about that state of affairs. I have no doubt that as far as any amendment the Senator from Louisiana is interested in, he can persuade the committee to vote on it one way or the other. The probabilities are that if he could not prevail in his own committee, he is not going to be able to prevail in the Senate. That does not bother this Senator. But I am concerned about other Senators saying they have not been treated fairly, that people on the Finance Committee took care of the matter they were concerned about while other Senators would be foreclosed out here by a point of order from even being able to offer their amendments.

Mr. President, I hope very much that such a situation could be avoided. I hope that we could vote on the bill, let everyone, particularly if he has an amendment germane to the bill, have the opportunity to offer his amendment so long as it does not turn the bill into a revenue loser, and then go to the House and resolve our differences the way we always have in the past.

I am concerned about the amendment not because of anything the Senator from Louisiana wants to offer. He can offer his amendment in committee. But I am concerned about the right of every Senator who might want to offer an amendment that might be of concern to his constituents—either for the low-income people who might be adversely affected, or for his producers, or perhaps he wants to offer a tax credit to help certain consumers. I understand that they would be foreclosed. I would hope that it could be agreed that they not be foreclosed, that so long as the bill with the amendment would still be a positive addition to the revenues of the country, that the amendment would be in order. My understanding is that it would not be in order under the Budget Act.

Mr. DOLE. Mr. President, if the Senator will yield, that violates section 311 of the Budget Act.

Mr. LONG. That is my understanding.

I am reluctant to make a motion to make all amendments in order. But I feel compelled to vote for the Kassebaum amendment to allow Senators a chance to offer their amendments. I personally do not like the idea of setting a stage for Senators to be denied the opportunity to offer their amendments as long as the bill would remain a revenue-raising bill.

Mr. DOLE. Will the Senator yield?

Mr. LONG. I yield.

Mr. DOLE. There might be some terrific amendment thought of between now and the time the bill comes to the floor that would not only be cost effective but it might produce some energy and a Senator would offer the amendment and another Senator would say no, it is subject to a point of order and section 311; the Parliamentarian would rule it is subject to a point of order, and the first Senator would be out of business.

Mr. LONG. That is right.

The PRESIDENT pro tempore. Who yields time?

Mr. MUSKIE. I yield myself 2 minutes.

Mr. President, I find it incredible that the chairman of the Finance Committee has announced to us he is going to vote for Kassebaum so that he can change the parliamentary situation with respect to rulings on amendments to revenue bills which have not even come to the floor. Surely he must know better than that. He can vote for Kassebaum for any reason he wishes, rational or irrational, but to suggest that by his vote for Kassebaum he is, in effect, making a parliamentary ruling on amendments to future revenue bills that favor his interpretation of the Budget Act, I find incredible.

Last spring we had the 1979 Supplemental Appropriations bill with exactly the same situation. Senators wishing to add spending to that bill had, at the same time, to propose cuts in other portions of the bill or be subject to a point of order.

I did not hear any screams from the chairman of the Finance Committee at that time. Surely the same situation should apply with respect to the revenue side.

If these Senators do not like the budget discipline—and the chairman of the Finance Committee has indicated that over and over again, let us repeal the Budget Act and you will not have this awkward inconvenience and encumbrance standing in your way.

What I understand is being said here is that it might just be possible in future revenue bills that come to the floor that we can no longer build Christmas trees on the floor of the Senate as we have in the past. Perhaps we may never again be able to write Christmas trees on the floor that the chairman of the Finance Committee then takes to conference and tailors to his own specifications. That is what it is all about.

Senator LONG, who is a very shrewd parliamentarian and tactician on the floor of the Senate, saw his opportunity to sow confusion as a result of this issue that has been raised around the Kassebaum amendment. It has nothing to do with the Kassebaum amendment. Believe me. It has nothing to do with it.

It has nothing to do with future revenue bills that have not even come to the floor.

For those who want built-in protection against the inconveniences of the Budget Act, may I suggest the most direct route to remove them? Introduce legislation to repeal it. As a matter of fact, if amendments like this are adopted, if parliamentary rulings such as recommended by the chairman of the Finance Committee are approved by the Senate, and if the discipline continues to slip, I may be the first to suggest that we just let it drop into discard like an abandoned old pair of shoes and not even go through the process of repeal. Discipline is discipline, and every time it begins to bite around here someone squirms.

Let them squirm as far as I am concerned. If enough Senators reject the discipline of the Budget Act it will be dead and Senators will not need parliamentary rulings to do it. Senators will not have to repeal it. It will die of its own dead weight.

The PRESIDENT pro tempore. The Senator from Kansas has 3 minutes remaining.

Mrs. KASSEBAUM. Mr. President, does anyone else wish to speak?

Mr. LONG. Mr. President, will the Senator yield me 1 minute?

Mrs. KASSEBAUM. I yield to the Senator from Louisiana 1 minute.

Mr. LONG. Mr. President, the Senator was describing a situation that existed last year. I worked with the Senator from Maine last year. We were working on a revenue bill and we were working under a ceiling. When amendments violated the ceiling we objected to them. The first objection, in most instances, was made by the Senator from Maine. I am glad he did object because we had to stay within the ceiling and we did, even though some did not like it. That was our obligation, and we stayed within it.

Here we are talking about a situation where we anticipate bringing a bill before the Senate that will raise a lot of revenue. The committee can bring the

bill out in such a fashion that it only raises a few dollars if it wants to do so. But assume that the committee brings a bill to the Senate that does raise a substantial amount of money on a net basis, hundreds of millions of dollars, a bill that puts a lot of taxes on a lot of people in this country. As I understand it, the parliamentary situation would be such that individual Senators on this floor would be precluded from offering amendments that might reduce the revenue in the bill, amendments which might be of vital concern to their States or to their constituents.

I do not particularly like that situation. It is par for the course for Senators to offer amendments on revenue bills of that sort. The Senate tends to be generous, but then we go to the conference with the House of Representatives and the House says, "No, we are not going to accept all that," and we usually split the difference by the time we get through.

I want to make it clear now before the situation arises. I may be the one making the points of order myself if it works out that way. As I understand the situation, the revenue bills that we bring before the Senate from the committee will have to raise revenues, and any amendment that would reduce revenues below that amount will be subject to a point of order. That is my best advice on the subject, and I think if that is the case, the Senate should know it. I do not want Senators to come to me when the point of order is made and say, "Why didn't you protect us?" The way I read this, they will not be protected. Their amendments will be out of order.

I think Senators should be so advised.

The PRESIDENT pro tempore. The time on the amendment has expired.

Mrs. KASSEBAUM. I thank the distinguished Senator from Louisiana. I appreciate his support as chairman of the Finance Committee.

Mr. President, I call for the yeas and nays.

The PRESIDENT pro tempore. The yeas and nays are already ordered.

All time on the amendment having expired, the question is on agreeing to the amendment (UP No. 565) of the Senator from Kansas (Mrs. KASSEBAUM). The yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Vermont (Mr. STAFFORD) is absent on official business.

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

The PRESIDENT pro tempore. Are there any Senators in the Chamber who have not voted, who wish to vote?

The result was announced—yeas 35, nays 64, as follows:

[Rollcall Vote No. 298 Leg.]

YEAS—35

Armstrong	Byrd, Harry F., Jr.	Domenici
Baker	Cochran	Durenberger
Bentsen	Danforth	Garn
Boren	DeConcini	Gravel
Boschwitz	Dole	Hatch
Bradley	Heflin	Hayakawa
Helms	Long	Stevens
Humphrey	Lugar	Thurmond
Jepsen	McClure	Tower
Kassebaum	Roth	Wallop
Laxalt	Schmitt	Warner
	Simpson	Young

NAYS—64

Baucus	Heinz	Pell
Bayh	Hollings	Percy
Bellmon	Huddleston	Pressler
Biden	Inouye	Proxmire
Bumpers	Jackson	Pryor
Burdick	Javits	Randolph
Byrd, Robert C.	Johnston	Ribicoff
Cannon	Kennedy	Riegle
Chafee	Leahy	Sarbanes
Chiles	Levin	Sasser
Church	McGovern	Schweiker
Cohen	Magnuson	Stennis
Cranston	Mathias	Stevenson
Culver	Matsunaga	Stewart
Durkin	Melcher	Stone
Eagleton	Metzenbaum	Talmadge
Exon	Morgan	Tsongas
Ford	Moynihan	Weicker
Glenn	Muskie	Williams
Goldwater	Nelson	Zorinsky
Hart	Nunn	
Hatfield	Packwood	

NOT VOTING—1

Stafford

So Mrs. KASSEBAUM's amendment (UP No. 565) was rejected.

Mr. MUSKIE. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MUSKIE. Mr. President, if the Senator will allow me, let me say to my colleagues that I understand that there are only 60 minutes left.

The PRESIDENT pro tempore. The Senator is correct.

Mr. MUSKIE. That is 60 minutes left on the bill. So all votes will take place not later than 1 hour from now. That is just to give the Senate some idea of what lies ahead.

UP AMENDMENT NO. 566

(Purpose: Provides for a 2.5 percent cut in new budget authority and outlays for FY 1980 in every function except functions 050, 550, 600, 920 and 950)

Mr. BUMPERS. Mr. President, I have an amendment at the desk.

The PRESIDENT pro tempore. The amendment will be stated. The assistant legislative clerk read as follows:

The Senator from Arkansas (Mr. BUMPERS), for himself, Mr. EXON and Mr. HOLLINGS, proposes an unprinted amendment numbered 566.

Mr. BUMPERS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 5, line 25, strike "$636,600,000,000;" and insert $632,800,000,000;"

On page 6, line 5, strike "$546,300,000,000;" and insert "$543,400,000,000;"

On page 6, line 11, strike "$31,600,000,000;" and insert "$28,700,000,000;"

On page 6, line 16, strike "$890,700,000,000" and insert "$887,800,000,000"

On page 6, line 17, strike "$916,800,000,000" and insert "$913,900,000,000"

On page 6, line 18, strike "$946,700,000,000" and insert "$943,800,000,000"

On page 6, line 21, strike "$60,700,000,000" and insert $57,800,000,000"

On page 6, line 22, strike "$86,800,000,000" and insert "$83,900,000,000"

On page 7, line 21, strike "$13,100,000,000;" and insert "$12,800,000,000;"

On page 7, line 22, strike "$8,300,000,000;" and insert "$8,100,000,000;"

On page 8, line 6, strike "$5,900,000,000;" and insert "$5,800,000,000;"

On page 8, line 7, strike "$5,700,000,000;" and insert "$5,600,000,000;"

On page 8, line 16, strike "$41,000,000,000;" and insert "$40,000,000,000;"

On page 8, line 17, strike "$7,000,000,000;" and insert "$6,800,000,000;"

On page 9, line 1, strike "$12,700,000,000;" and insert "$12,400,000,000;"

On page 9, line 2, strike "$11,900,000,000;" and insert "$11,600,000,000;"

On page 9, line 11, strike "$5,000,000,000;" and insert "$4,900,000,000;"

On page 9, line 12, strike "$2,600,000,000;" and insert "$2,500,000,000;"

On page 9, line 21, strike $6,800,000,000;" and insert "$6,600,000,000;"

On page 9, line 22, strike "$3,000,000,000;" and insert "$2,900,000,000;"

On page 10, line 6, strike "$19,500,000,000;" and insert "$19,000,000,000;"

On page 10, line 7, strike "$18,600,000,000;" and insert "$18,100,000,000;"

On page 10, line 16, strike "$8,900,000,000;" and insert "$8,700,000,000;"

On page 10, line 17, strike "$8,400,000,000;" and insert "$8,200,000,000;"

On page 11, line 2, strike "$29,700,000,000;" and insert "$29,000,000,000;"

On page 11, line 3, strike "$30,500,000,000;" and insert "$29,700,000,000;"

On page 12, line 17, strike "$4,200,000,000;" and insert "$4,100,000,000;"

On page 12, line 18, strike "$4,400,000,000;" and insert "$4,300,000,000;"

On page 13, line 2, strike $4,400,000,000;" and insert "$4,300,000,000;"

On page 13, line 3, strike "$4,200,000,000;" and insert "$4,100,000,000;"

On page 13, line 12, strike "$9,300,000,000;" and insert "$9,100,000,000;"

On page 13, line 13, strike "$9,300,000,000;" and insert "$9,100,000,000;"

Mr. BUMPERS. Mr. President, I inquire as to how much time is left on this amendment, I believe the time of the bill, will have run out considering future amendments after my amendment has been considered.

The PRESIDENT pro tempore. One hour.

Mr. BUMPERS. Mr. President, I hope we will not have to take the full hour, but I want to explain to my colleagues very briefly what this amendment does and why I am offering it.

I personally feel deeply in debt to the Budget Committee because it has, indeed, performed yeoman's service to the U.S. Senate, working around the clock for days in what I believe was a very sensible, thoughtful way in trying to save us from ourselves.

They came back with a budget I thought was a barebones budget, one that took into consideration both the needs of the Defense Department and the human needs of the country.

Mr. President, I think it would be appropriate to start off by giving my colleagues a little history of where we have been going in the last 4 or 5 years in the budgeting process.

The Budget Committee came in with a resolution that provided for a deficit of $28.0 billion. That deficit reflected the fact that the Appropriations Committee had already appropriated over $3 billion

more than was allowed under the targets we established in May during debate on the first concurrent budget resolution. After some lengthy negotiations the Senate passed a reconciliation resolution which will require several committees to reexamine programs and rescind several billion dollars in appropriations.

For example, that reconciliation resolution required the Appropriations Committee, of which I am a member, to go back and cut about $3.2 billion off the budget. I believe that was a very responsible action. That resolution raised our deficit slightly to $28.4 billion.

Mr. MUSKIE. The figure at that point was $28.4 billion.

Mr. BUMPERS. After the reconciliation.

Mr. MUSKIE. Then came defense.

Mr. BUMPERS. That is right.

The Senate yesterday added $3.2 billion for the Defense Department, which puts the deficit back up, if my figures are correct, to $31.6 billion. All of this history brings me to my point. If that number stands, the budget deficit for fiscal year 1980 will be greater than the deficit we are anticipating for fiscal year 1979, which ends this month.

That is not a very happy thought. When we consider the very legitimate demand nationwide, for budget restraint.

My colleague from Arkansas (Mr. PRYOR) sent out an article to the newspapers of the State not long ago, a weekly column in which he described a group coming into his office. They said, "Senator, we need $2 million for a waste treatment facility. We also need $1 million for a new jail." By the time they finished the wish list, it was up to $6 million. Before walking out they said, "By the way, Senator, we want to tell you that we want you to support a balanced budget."

Every Senator here has had that same experience. In the past I have voted against every across-the-board cut that has been offered in the U.S. Senate. Most of them have been amendments to the budget resolution.

I am a strong supporter of the budget process in the Senate. I think it has been working very well, and I applaud the chairman and all the members of that committee.

Most everybody sitting here will remember Senator Stuart Symington. He served for 24 years, from the great State of Missouri. When I came here in 1975 he was offering an across-the-board cut of the defense budget. I talked to him. I said, "Senator, when I was Governor of my State I always aborted those broad ax cuts, it is unbusinesslike, it is not selective, you never know who will get hurt."

He said:

> I've been here 24 years, I'm telling you that is the only way you will ever get a cut because the minute you spotlight a particular program that you're going to cut, there will be three plane loads of people land at Washington National Airport within 2 hours. They will storm over the Capitol and you can forget that cut.

It is not the most responsible way in the world to reduce the deficit—but how else will we achieve a reduction in Federal spending?

I am admitting that I have consistently voted against this type of amendment. I tried to be selective, thoughtful and sensitive enough to offer the Senate a chance to cut $2.9 billion out of this budget without adversely affecting any program.

When we voted to increase the defense budget yesterday, we should have been required to determine the source of the additional funds to pay for that increase.

The other day in the Democratic caucus, in response to all of those Senators who were talking about increasing the defense budget and how they were not going to vote for SALT unless we got more money, Senator MUSKIE raised the very simple, legitimate point, "Where is the money coming from, are you going to raise taxes, or ask for a bigger deficit. Those are your two options."

There is always silence. I have been guilty of silence at times like that.

When we voted yesterday, we voted to choose one option or the other. I have added the option of a budget cut.

We were giving the Defense Department more money yesterday because inflation is taking its toll on weapons procurement and salaries of manpower. Inflation is absolutely decimating the country.

And what is it related to? It is related to our spending policies here.

I do not know of any place where the American people's expectations are more out of order than they are in the belief that inflation will somehow suddenly end if we will just balance the budget.

It is not true. History shows it is not true. In 1967, we balanced the budget. It is the only time we have had a balanced budget in recent history, and we had more inflation that year than we had had up to that time.

It does not necessarily work the way the popular conception thinks it works.

On the other hand, there is no question that deficit spending is inflationary.

Yesterday we voted for the Defense Department, and a Senator said, "Look at that. At the rate we are going, it will be 5 years before the Defense Department gets all the equipment and all the ammunition they need."

I do not want to get into that argument. But who has ever known the Defense Department to have all the equipment and all the ammunition they wanted?

It reminds me of a preacher. If he is ever successful in wiping out sin, he will be out of a job. The same is true of the Defense Department. Give them 100 percent of everything they need, and they are out of business. But that is another argument, and I am not going to pursue it.

I have worked on this amendment for almost 2 days now. I went back and studied the history of budget deficits in this country for the last several years, and I will tell Senators where we have been going, in case they have not looked.

My first year in the Senate, in 1975, we had a deficit of $45.18 billion. In 1976, when we were appropriating money right and left, trying to pull out of another recession, it was $66 billion.

Since that time, things have been going reasonably well in the budgeting process. Bear in mind that in 1976, the deficit was $66 billion. The next year, we cut it by $22 billion, down to $44.9 billion. The next year, there was a slight increase of $4 billion. But in 1978, it was $48 billion, and the estimate for this year is down to about $30 billion. It is about $30 billion from 1978's $48 billion, an $18 billion cut in the deficit from last year to this year. That is a trend we must continue.

We cannot leave here and tell the American people we have decided to reverse that trend and start the budget deficits upward again.

What I am trying to do with this amendment, I say to my colleagues, is to cut $2.9 billion. I have eliminated all those functions from this cut in which I think it would have the most devastating effect.

We took out the 550 function, which covers medicaid and medicare, health research, education and training of the health work force, consumer and occupational health and safety. All those are excluded and are not covered in my amendment.

We took out function 600, the biggest function, by far, in the budget. There is more than $216 billion in that function. That money goes to the neediest of the needy of our country. Social security is included in that function.

To tell the truth, I had a little difficulty voting yesterday for a 3-percent increase in the defense budget and then coming before the Senate today and saying that we are going to take the money out of social security. I am not going to do that, and that is why I have eliminated that function from my amendment.

The defense function has also been eliminated from my amendment because the Senate spoke on that yesterday, loud and clear.

I took out the interest function. The interest we have to pay on the national debt because we do not have control over it.

I took out allowances, offsetting receipts, and, finally, I have removed veterans' affairs. The veterans have already taken a pretty good cut in the budgeting process this year.

My point is that every function I have covered in my amendment includes the most discretionary funds we have—the ones where we can cut with the least economic impact, the ones we can cut with the least effect on human services, and the plight and dignity of people.

I saw a story the other day that was sort of interesting to me. Here it is, from the New York Times, August 16. The heading of the article is "U.S. Agencies Rush To Spend Before Cut-Off." It reads:

> WASHINGTON, Aug. 15—"We were looking around madly to spend $30,000," said the middle-level Federal bureaucrat. "We did it in a lot of questionable ways, and then, apparently because we were so successful, we were asked to spend another $80,000 more."
>
> The bureaucrat, who asked not to be identified, was describing what he called the "worm's eye view" of his agency as the bureaucracy rushes to pump out funds before Oct. 1, the end of the fiscal year.

I will give Senators a little addendum to that. In 1977 and 1978, Federal spending by the bureaucracy went up 90 percent in September, before the new year started on October 1—90 percent above the preceding month of August.

When I was elected Governor in my State, I had heard that happened, so I put a freeze on all expenditures that were not approved by me personally the last 90 days of the fiscal year, and we saved $35 million. That is not much compared to the total Federal budget, but in my State of Arkansas, the first year I was Governor, our budget was about $400 million. We saved almost 10 percent of that year's general revenue budget simply by putting a freeze on those wild expenditures that always take place just before the end of the fiscal year.

There is a story in U.S. News & World Report, a very similar story. This is what a middle-level bureaucrat says:

> What happens is that small units of 10 to 100 people throughout the government are suddenly asked if they can quickly spend several hundred or several thousand more dollars. Those who find legitimate ways to soak up these funds are looked upon as creative managers. If they work fast, they can go back for more.
>
> For this reason, a lot of seasoned bureaucrats keep a stack of proposals, for various amounts, in a desk drawer. Some of these are for pet projects that would never have passed muster earlier; some are gimmicks pure and simple, and others, I suppose, are for truly worthwhile activities.

If this story is accurate and they actually are spending 90 percent more in September than they do in August, my amendment is not going to hurt anybody. The bureaucrats will not know it has happened.

What is the Office of Management and Budget saying about it? I will tell Senators what they are saying about it. They put out a directive—not even a directive really, but a sort of request, which says:

> TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS
>
> Subject: Controlling Year-End Buying.
>
> As we enter the last quarter of fiscal year 1979, I ask you to make sure that we continue to use public funds wisely by avoiding unnecessary year-end buying.

That is calculated to frighten the bureaucracy to death, is it not? "We request that you confine your year-end buying to wise purchases."

I hope that, through the appropriations process, we can actually cut additional funds that we are not mandating to be cut under my amendment. I hope that through the appropriations process, we can cut some other fat out of this budget. Then we can go home at the end of the year and tell the American people that if the recession deepens and if unemployment does begin to escalate, as it may, Congress will address that as best it can.

However, until that happens, I think we all would be well served if we could go home and tell the people of this country that we have again reduced the deficit and that in 1981 we hope to reduce it still further.

While I do not like this kind of approach, I have gone through the budget functions as selectively and as sensibly as I know how and have cut those that I thought could be managed in the best way. The total reduction is $2.9 billion. That is less than one-half of 1 percent of the total budget authority of the Federal Government for 1980.

Mr. President, I reserve the remainder of my time.

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

Mr. BUMPERS. I yield to the Senator from Nebraska (Mr. EXON).

The PRESIDING OFFICER (Mr. BAUCUS). The Senator from Nebraska is recognized.

Mr. EXON. I thank my friend from Arkansas.

Mr. President, I wish to associate myself with the remarks offered by my friend from Arkansas. I am a member of the Budget Committee. Although I am new here, I have proposed across-the-board slashes in the budget on each and every occasion. I have opposed the legitimate attempts by very sincere people to make substantial reductions in the budget, at the same time provide a tax increase because I do not think that is a realistic way to approach the situation.

Nor do I necessarily think that the amendment that has been offered by the Senator from Arkansas and of which I am a cosponsor is necessarily, as he has said, the most responsible way to approach the matter before us.

However, it is the only reasonable approach that I see that we can take. Therefore, I rise in support of the amendment. I say that what we are faced with here, as I said on the floor of the Senate yesterday, is what kind of a signal are we going to send out to the people of the United States of America? We all know, as we consider this last action on the second concurrent budget resolution in the Senate this year, that we are about $1.7 billion over the deficit of $29.9 billion that we are facing at the end of the fiscal year that will end in a few days.

I say again that it is important, I think, that we keep the deficit below 1979 as we look to 1980. Therefore, although I am not thrilled with the way that we are doing this and I agree that some legitimate programs are going to be hurt, I say, as Senator BYRD was quoted in the newspapers today as saying, when it comes down to the matter of not increasing the deficit I think something else has to give.

I have looked at the arguments that are being advanced by the Budget Committee on which I am a member against the amendment offered by the Senator from Arkansas, and I agree that those are tough cuts. The tough cuts are enumerated on this page I have before me called "Arguments Against the Bumpers Amendment."

I ask unanimous consent that this be printed in the RECORD at an appropriate place following my remarks.

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

(See exhibit 1.)

Mr. EXON. Mr. President, everyone that is against making the cuts that are outlined there, if indeed they are legitimate, and I suspect that they are, should say that the reason that we had to make these cuts was because of the fact of the defense appropriations that passed this body by substantial margins yesterday. Those are the reasons that we are having to make these cuts. If indeed it is true, as I think it is and as I think the majority of Americans in the United States believe, that we must send the signal out that the Senate is not going to be irresponsible, we are not going to put off again reducing the deficit; therefore, I think that the amendment offered by the Senator from Arkansas is, under the circumstances, unfortunately the only way that we can go.

In closing, I say that as to the 55 Senators who voted yesterday for the Hollings amendment to increase 5 and 5 in the outyears and the 78 Senators who voted for the 3-percent increase in 1980, I hope all of those Senators will now stand up and say, "We voted our convictions yesterday, we voted them very sincerely," as I am sure each and every one of my colleagues did, but if they also believe in keeping the deficit for 1980 below 1979, then it seems to me they have no other alternative but to support the amendment sponsored by the Senator from Arkansas.

I thank my friend from Arkansas and I thank the Chair.

[EXHIBIT 1]

ARGUMENTS AGAINST THE BUMPERS AMENDMENT

Purpose of the amendment

Across-the-board spending cut to reduce budget authority by $3.8 billion and outlays by $2.9 billion.

Reasons to oppose amendment

1. Reduces budget authority and outlays by an arbitrary 2.5% in 12 functions of the budget.

Would cut programs like EDA and Community Development Grants by $200 million in budget authority and outlays.

Would cut energy programs by $1.0 billion in budget authority and $200 million in outlays.

Would cut transportation programs by $500 million in budget authority and outlays.

Would cut education and CETA programs by $700 million in budget authority and $800 million in outlays.

Would cut revenue sharing programs by $200 million in budget authority and outlays.

Would cut agriculture, space, and law enforcement programs each by $100 million in budget authority and outlays.

Would cut programs like water resources and water pollution control grants by $300 million in budget authority and outlays.

2. Renders meaningless the careful consideration of national priorities that is the heart of the budget process.

3. Is really a heavier percentage cut than stated because revenues would be lost as a result of these reductions and deeper cuts would be needed to reduce the deficit.

4. Would require further reconciliation instructions totaling $3.8 billion in budget authority and $2.9 billion in outlays to Senate committees, including Finance and Appropriations. Those committees already face the requirements mandated by the Senate, to hold down programs severely in order to live within the budget totals that have thus far been agreed upon.

Mr. MAGNUSON. Mr. President, will the Senator from Arkansas yield for an observation?

The PRESIDING OFFICER. Who yields time?

Mr. MAGNUSON. I wonder if the Senator from Arkansas will yield.

Mr. BUMPERS. Before the Senator begins, how much time do I have remaining?

The PRESIDING OFFICER. The Senator from Arkansas has 6 minutes and 30 seconds remaining.

Mr. BUMPERS. Will the chairman mind asking the floor manager for time? I only have 6 minutes remaining.

Mr. MUSKIE. Mr. President, I yield to the distinguished chairman of the Appropriations Committee such time as he wants to take.

Mr. MAGNUSON. Mr. President, I am sure the Senator from Arkansas realizes that about 70 percent of the appropriation bills are uncontrollables and you are dealing here with 30 percent that are controllables.

The Budget Committee has recommended that we reduce some of the appropriations bills that have been passed, about half of them, already $3 billion. But all of this will center into the 30 percent of the budget under yearly discretionary control by the appropriation process. That, in turn, zeroes in on human needs, and the $29 billion deficit was a figure picked out of estimates by the Budget Committee. It could have been 27; it could have been 31. As long as it was under and we are moving down, as the Senator pointed out very well, from the $66 billion down to $29 billion.

The Appropriations Committee is way under the President's budget, way under. I think we are going to be about $9 billion under the President's budget.

The Budget Committee has told us that we have to be $3 billion under the congressional budget.

I do not mind that. Surely, the Senator from Arkansas realizes that down in the Appropriations Committee I have tried to keep the expenditures down, and some of the additions to the appropriations were made here on the floor, and the Budget Committee wishes to address themselves to those additions.

It seems to me we have to have this in perspective. We upped defense $3 billion. Then we say we are going to take it out of this 30 percent, and the Senator's amendment is even narrower than that. It takes out a billion dollars, I believe, for energy.

I am for cutting expenditures, and we are way under the President's budget. We were going to be, I think, within the ceiling until the $3 billion defense came along. But the Senator is picking out programs that are only a portion of the budget. I do not know what we are going to do when the supplementals come up. The Senator is a member of the Appropriations Committee. There are going to be supplementals coming up on entitlements. There is unemployment insurance, which is going up. That is taking money out of the Treasury and not putting a nickel in.

I suspect that medicare is going to go up, and all these things. But I think we should put it in perspective. What the Senator from Arkansas is talking about is less than 30 percent of the budget, about 28 percent of the budget, and that deals with human needs mainly. HEW is a big one in there.

I am hopeful that this amendment will not carry because the Appropriations Committee has done its best and is now going back to work again. I was hoping we would come within the $28 billion budget figure. I think that is enough. And the Appropriations Committee is going to do its share to keep the actual deficit figure down when we add this all up at the end of the year.

I think that we have to set our sights when we talk about a $28 billion budget. That was picked out by the Budget Committee. It could have been $27 billion. It could have been $27 billion, including what the Senator from Arkansas said. It could have been set at $31 billion. Now it is up to $31 billion, which gives some accommodation for the Appropriations Committee within the $31 billion ceiling now. I do not know whether the Appropriations Committee is going to appropriate all the money for defense. Yesterday's argument on the defense appropriation was only to establish the ceiling, and the Appropriations Committee has to help set the priorities within its jurisdiction to stay under that overall ceiling.

The bottom line is what we appropriate. That is the bottom line. So I am reluctantly going to vote against the Senator's amendment, because I think we have squeezed that 28 percent as much as we can squeeze it without hurting a lot of people.

We are moving. As the Senator pointed out, we have moved down, down, down from a $66 billion deficit that Ford left us. We have gone down, and that is also the hope of the Budget Committee, to continue to move down, down, down, hoping that we can achieve some sort of a balance.

But I think this is squeezing the wrong portion of the budget. I wish we could get at the uncontrollables. I think we could save a billion dollars in medicare and medicaid alone.

Mr. BUMPERS. Mr. President, let me, if I may, say this: If we did not have such a crazy method of budgeting in the U.S. Government, we could have a balanced budget easily. There is $40 billion or $50 billion worth of gilt-edged loans in the budget. Why, in the name of all things holy, we count those as expenditures never to be recovered I do not know.

But we have to live in the real world as we find it. If I had my way, I would have eliminated a $2.5 billion aircraft carrier and $25 billion in revenue sharing, and we would have the budget in balance.

Mr. MAGNUSON. Yes, it is the way we keep books. It is like going down to the Treasury at midnight and looking in the Federal till. If we find some IOU's, that is a deficit; if we find some cash there, that is a surplus. If a businessman kept books that way he would go to jail.

In May there was a $29 billion surplus in the till. That is because of the corporate taxes that had come in. There is $43 billion in loans. If a businessman has a good loan, that is an asset, not a deficit.

Another thing, we have social security here in this budget. That was a bit of political bookkeeping. That was a Nixon gimmick. We were being accused of spending too much for defense and not enough for human needs, so they put social security in the budget and they said, "Oh, look. When you break down the dollar," they said, "look at what we are putting in for human needs."

If I had my way, social security would be run by an independent agency all by itself. It does not belong in the budget. Every budget director has been calling it a political gimmick; it does not belong in the budget at all.

Federal budgeting is not an exact science. It does not work that way. I think we should get it down as much as we can but we are squeezing that portion that we have control over too much, and I will reluctantly vote against the amendment.

Several Senators addressed the Chair.

Mr. MUSKIE. I had promised to yield 3 minutes to the Senator from Louisiana.

Mr. JOHNSTON. Mr. President, I thank the Senator from Maine. I applaud the efforts at budget-cutting of the Senator from Arkansas, and I hope to join him in other efforts to cut the budget. I have been trying to do that on the Budget Committee. I am committed to balancing the Federal budget by fiscal year 1981. I think that is going to be difficult. It will hurt. It will make many programs suffer that we all would like.

But, Mr. President, I would submit that this method and these cuts will not work. Let me tell you about something I know about, and that is the energy and water resources budget. This Congress has already acted in that area, and the bill is now on the President's desk. It was a bill that cut substantially from the President's budget.

But, Mr. President, this proposal, as best we can figure, would require a cut of about $200 million out of a $3 billion energy R. & D. effort; $200 million out of $3 billion does not sound like too much, except when you consider that that is, I think, the priority need of this country right now.

For example, of that $3 billion in energy R. & D., you have $860 million for solar energy. I do not believe the Senator from Arkansas wants to cut back the solar energy budget. We have fusion, we have nuclear, including the investigation expenses at Three Mile Island, and we have geothermal. We do not have the money for low-head hydro which the Senator from New Hampshire (Mr. DURKIN) wants; we would have to add that later on if we were to get it authorized. This would be a cut even below that, Mr. President.

So, at a time when the country is searching for additional energy sources, we would be cutting back by $200 million our ongoing energy R. & D. projects. Mr. President, I am confident that the Senate does not want to do that. We want to expand that activity, I think, rather than cut it.

Another part of the energy and water resources bill is, of course, the so-called

water projects. It would require a cut of some $300 million in water projects, as well as parks and interior. This $300 million. Mr. President, would have to come principally from one of two places: Either ongoing construction projects, together with maintenance, or it would have to come from new starts.

I do not believe, Mr. President, that one can make any case at all for cutting ongoing programs, because if we do, we would first be liable for damages; second, we would be subject to the inflation that we have to pay for by delaying the projects; third, we would have to split the schedule of ongoing projects we have been trying to complete.

The PRESIDING OFFICER. The Senator's 3 minutes have expired.

Mr. JOHNSTON. That would mean we would have to cut out virtually all the new starts, Mr. President. We do not want to do that.

We could make the same argument with respect to other functions here, but I can tell you with respect to energy and water resources, a billion dollars, in addition to what has already passed this Congress, will not work.

I urge the Senator from Arkansas to keep up his efforts. But let us find another way to make these cuts. This formulation of cuts will not work.

I thank the Senator from Maine.

Mr. BELLMON. Mr. President, will the Senator yield me 2 minutes?

Mr. MUSKIE. I had promised to yield to the Senator from New Jersey.

Mr. WILLIAMS. That is all right; I will wait.

Mr. MUSKIE. I yield to the Senator from Oklahoma.

Mr. BELLMON. Mr. President, in line with the point the Senator from Louisiana just made about the energy function, let me comment about agriculture. The Bumpers amendment would cut $100 million out of the agriculture function.

By coincidence, the Senate-House agriculture conference committee has been meeting while we have been debating this measure on the floor of the Senate. I am a member of that conference, and I know how difficult it is to try to find those savings. The only place where they could be saved would be agricultural research. I do not believe the Senator from Arkansas believes we should paralyze our agricultural research efforts in this country by this kind of cut. We have been trying very hard to put back some of the $30 million that the President reduced agricultural research in his budget, and we have fairly well succeeded, but the specter of going back to the conference with the prospect of cutting out another $100 million, I think, puts us in an impossible position.

Nobody is more interested in getting the budget in balance than I am. I voted against the add-on for defense yesterday for that reason. We have been trying to reduce expenditures. We are still on the track, but we lost a little ground yesterday. However, I believe I can assure the Senator from Arkansas that we will have the budget in balance by 1981, and that we will be able to make some sizable reductions in taxes by 1982.

I believe it is not a workable approach at this point in the budget process.

Mr. MUSKIE. Mr. President, before we proceed further, I ask unanimous consent that I may ask for the yeas and nays on this amendment and passage.

Mr. BUMPERS. Will the Senator withhold that for just a moment? I am working on some modifications at the moment. I believe I would be prevented from introducing my modification if the yeas and nays are ordered.

Mr. MUSKIE. The only reason I asked the question is that it would be helpful for Senators to know that no votes will come until all time has expired and both votes will take place back to back. We can do that later.

Mr. BUMPERS. If the Senator will yield to me, I shall send my modifications to the desk now and then he can get the yeas and nays.

Mr. MAGNUSON. Will the Senator yield to me?

Mr. MUSKIE. As soon as we get this question settled.

Mr. BUMPERS. A parliamentary inquiry, Mr. President.

The PRESIDING OFFICER. The Senator will state it.

Mr. BUMPERS. I have now sent my modification to the desk. Are the yeas and nays now being ordered?

The PRESIDING OFFICER. The amendment is so modified and it will be in order to ask for the yeas and nays on this amendment.

The amendment, as modified, is as follows:

On page 1, line 8, strike "$388,000,000,000;" and insert "$384,500,000,000;".

On page 1, line 9, strike "$341,600,000,000;" and insert "$339,100,000,000;".

On page 5, line 25, strike "$636,600,000,000;" and insert "$633,100,000,000;".

On page 6, line 5, strike "$546,300,000,000;" and insert "$543,800,000,000;".

On page 6, line 11 strike "$31,600,000,000;" and insert "$29,100,000,000;".

On page 6, line 16, strike "$890,700,000,000;" and insert "$888,700,000,000;".

On page 6, line 17, strike "$916,800,000,000;" and insert "$914,300,000,000;".

On page 6, line 18, strike "$946,700,000,000;" and insert "$945,800,000,000;".

On page 6, line 21, strike "$60,700,000,000;" and insert "$58,200,000,000;".

On page 6, line 22, strike "$86,800,000,000;" and insert "$84,300,000,000;".

On page 6, line 23, strike "$116,700,000,000;" and insert "$114,200,000,000;".

On page 7, line 21, strike "$13,100,000,000;" and insert "$12,800,000,000;".

On page 7, line 22 strike "$8,300,000,000;" and insert "$8,100,000,000;".

On page 8, line 6, strike "$5,900,000,000;" and insert "$5,800,000,000;".

On page 8, line 7, strike "$5,700,000,000;" and insert "$5,600,000,000;".

On page 8, line 16, strike "$41,000,000,000;" and insert "$40,000,000,000;".

On page 8, line 17 strike "$7,000,000,000;" and insert "$6,800,000,000;".

On page 9, line 1, strike "$12,700,000,000;" and insert "$12,400,000,000;".

On page 9, line 2, strike "$11,900,000,000;" and insert "$11,600,000,000;".

On page 9, line 11, strike "$5,000,000,000;" and insert "$4,900,000,000;".

On page 9, line 12, strike "$2,600,000,000;" and insert "$2,500,000,000;"

On page 9, line 21, strike "$6,800,000,000;" and insert "$6,600,000,000;"

On page 9, line 22, strike "$3,000,000,000;" and insert "$2,900,000,000;"

On page 10, line 6, strike "$19,500,000,000;" and insert "$19,000,000,000;"

On page 10, line 7, strike "$18,600,000,000;" and insert "$18,100,000,000;"

On page 10, line 16, strike "$8,900,000,000;" and insert "$8,700,000,000;"

On page 10, line 17, strike "$8,400,000,000;" and insert "$8,200,000,000;"

On page 11, line 2, strike "$29,700,000,000;" and insert "$29,300,000,000;"

On page 11, line 3, strike "$30,500,000,000;" and insert "$30,100,000,000;"

On page 12, line 17, strike "$4,200,000,000;" and insert "$4,100,000,000;"

On page 12, line 18, strike "$4,400,000,000;" and insert "$4,300,000,000;"

On page 13, line 2, strike "$4,400,000,000;" and insert "$4,300,000,000;"

On page 13, line 3, strike "$4,200,000,000;" and insert "$4,100,000,000;"

On page 13, line 12, strike "$9,300,000,000;" and insert "$9,100,000,000;"

On page 13, line 13, strike "$9,300,000,000;" and insert "$9,100,000,000;"

Mr. MUSKIE. I ask for the yeas and nays on the Bumpers amendment and on passage.

The PRESIDING OFFICER. Is there objection to ordering the yeas and nays on the amendment and the resolution?

Without objection, it is so ordered.

Is there a sufficient second?

Mr. HART. Mr. President, reserving the right to object, may I ask the distinguished floor leader, is the time situation now that it is impossible to bring up an amendment even for a few brief moments?

Mr. ROBERT C. BYRD. It would be possible, even after all time has expired, to call up an amendment, but the Senator would not get debate on it.

Mr. HART. I thank the majority leader.

The PRESIDING OFFICER. Is there a sufficient second to the request for the yeas and nays on both votes? There is a sufficient second.

The yeas and nays were ordered on the amendment and passage.

Mr. MAGNUSON. Will the Senator yield to me just a minute?

Mr. MUSKIE. Yes, I yield a minute.

Mr. MAGNUSON. I do not know how the Senator from Arkansas has changed his amendment. I do not know what the modification is, but I want to ask him if his amendment will require that we rescind money for general revenue sharing?

Mr. BUMPERS. I did not understand the Senator.

Mr. MAGNUSON. Will it require that we rescind money for general revenue sharing?

Mr. BUMPERS. No, it does not. The modification cuts the amount of the cut in the education and training function from $800 to $400 million.

Mr. MAGNUSON. So that means we would rescind some money for general revenue sharing?

Mr. BUMPERS. Not in the modification. The amendment does not cut out any additional revenue sharing.

Mr. MAGNUSON. And it means we would have to reduce funding for refugee assistance $200 or $300 million?

Mr. BUMPERS. I do not believe it does.

Mr. MAGNUSON. It would require that we rescind the money for the space shuttle?

Mr. BUMPERS. It simply cuts the space and science functions by $100 mil-

lion. Whether it comes out of the shuttle or not would be another matter.

Mr. MAGNUSON. Well it has to come from somewhere, and that is the function. And it also cuts funding for EDA.

Mr. BUMPERS. It reduces a function which may or may not cut EDA, depending on how the committee handles it.

Mr. MAGNUSON. Does the Senator think that is wise at a time when unemployment is going up?

Mr. BUMPERS. Of course, we have to figure if it is wise to cut any of these functions when there is apparently a recession, either in progress or about to take place.

Mr. MAGNUSON. I just want to clear it up.

Mr. BUMPERS. Mr. President, the Senator from Louisiana has raised two interesting points: No. 1, the energy function is cut $200 million under my amendment. That is true. However, it does not necessarily come out of energy research and development. R. & D. is a $3 billion outlay in the budget, but the total energy outlays in the budget for 1980 are $7 billion. If we cannot cut $200 million out of a $7 billion outlay for 1980, we are in sad shape.

Second, the Senator from Louisiana says let us cut somewhere else. I must say that there is not anything very ingenious about that argument because we all want to cut someplace else.

Mr. JOHNSTON. Would the Senator yield to me?

Mr. BUMPERS. Yes.

Mr. JOHNSTON. It is correct that there is about $7 billion in that bill and only $3 billion, roughly, is R. & D. But $3 billion is in the defense function, with weapons. It comes under the energy and water resources bill.

Mr. BUMPERS. But it is within this function.

Mr. JOHNSTON. It is within this function, that is right. So the $3 billion is the R. & D.

Mr. BUMPERS. That may be, but there is $7 billion in the function that is being cut $200 million. The $200 million cut can be anywhere in that $7 billion.

Mr. JOHNSTON. Then the Senator would be willing to cut the nuclear weapons program.

Mr. BUMPERS. I am not sure all that additional $4 billion is nuclear weapons.

Mr. JOHNSTON. About $3 billion is defense-related.

Mr. BUMPERS. I would hate to try to get this body to cut any more out of the defense budget. We are looking at 1981, with a $29 billion deficit, even with my amendment.

If we cannot this afternoon take $2.5 billion out of this deficit, how are we going to take $30 billion out in 1981 to balance the budget?

If the Senator believes that is going to happen, let me tell him about the tooth fairy.

Mr. MUSKIE. Mr. President, I yield 3 minutes to the distinguished chairman of the Committee on Human Resources.

Mr. WILLIAMS. I thank the Senator from Maine and applaud the work he is doing.

Mr. President, as chairman of the Senate Committee on Labor and Human Resources, I rise to express my strong opposition to the amendment offered by the Senator from Arkansas.

I have no quarrel with the purpose of this amendment. We all want to end wasteful and inefficient expenditures of the taxpayers' dollars. We all want to be prudent in our spending policies, and to reduce the Federal deficit in order to stem the part it plays in fueling inflation.

But this amendment is not a sound means of achieving those common purposes. We have a budget process which considers broad macroeconomic and functional priorities, and sets binding ceilings. We have an authorizing process which creates and oversees programs designed to meet national needs. And we have an appropriations process which allocates funds to those authorized programs within the overall constraints of our budgetary decisions.

The common element to each of these complementary processes is long and considered examination of these separate elements, to determine which are effective and deserving of funding, and which are wasteful or unnecessary and are, therefore, undeserving of the public's money.

The amendment before us is lacking in this considered discretion. It does not make hard and considered choices. No, it is an indiscriminate, across-the-board reduction, in a wide range of budget functions, which fails to demonstrate or identify the "fat" it proposes to trim.

Supporters of the amendment say that it is "only" about a 2½-percent reduction in each of these categories. The size of this cut merely limits the damage which will be done by this amendment, it does not cure its basic deficiency.

Certainly, there may be functions in which the "fat" exceeds 2½ percent. But this amendment does not identify them. Nor does it insure that the wasteful programs within a function will be the ones to incur the cutback.

And there are certainly functions in which further cuts will add insult to injury. Function 500, which encompasses education, training, employment, and social services, which takes one of the heaviest blows under this amendment, is the prime example.

Where are these cuts going to come from?

Will they be from the education and college loan programs which help to assure that this Nation offers its children the best possible opportunity to develop their intellects and their skills?

Will they come from the vocational rehabilitation programs which enable handicapped Americans to become productive members of this society, rather than burdens?

Will they come from title XX, which provides essential social services to the poor, the handicapped, and the elderly?

Will they come from Older Americans Act programs, which have brought a new opportunity for community based dignity to our elderly?

Will they come from CETA's countercyclical job-training program, as we are entering a recession? That program has already been cut back by two-thirds from its level of 2 years ago. That program will receive $2.2 billion less in funding in fiscal year 1980 compared to 1979. For every dollar we do not spend for this program, we will spend more than 50 cents in welfare, unemployment payments, and reduced revenues. And we will continue to pay with inflation for the declining productivity caused, in part, by our failure to provide training in needed job skills.

Where will these cuts come from? The Senator from Arkansas cannot tell us. He can only tell us that he assumes that in this function, that in every function, there is 2½ percent worth of fat which can be cut.

This is not a wise or responsible way to meet our legislative duties, or to meet the needs of the American people.

Where is the fat in commerce and housing credit? Is it in the loans we provide to build housing for the elderly and the handicapped? Is it in the activities of Government agencies to maintain a stable mortgage market?

Where is the fat in justice programs? Are we sure it is there, or are we risking harm to our courts and our law enforcement?

Where will the cuts come in energy? Granted that there may be a valid case for cutting back on Department of Energy expenditures, is this the proper way to do so when a sound energy policy is of the highest priority?

Where, in short, is the factual justification for the cutbacks in each and every one of these functions?

Mr. President, the Senator from Arkansas feels that this amendment is necessary to redress the injury to fiscal restraint which was caused by the amendment, adopted yesterday, to raise national defense spending. I did not vote for that amendment. I felt that it was important to hold the line against such large spending increases, and I felt that the additional $3.2 billion which the second budget resolution contained for defense spending outlays, compared to the first, was sufficient to safeguard our strategic and tactical interests. My colleague from Arkansas, and a majority in the Senate, felt otherwise. While I disagreed, at least in that instance the Senate voted on the basis of a detailed debate on our national defense needs.

If we are now to redress that increase in the deficit, let us follow the same procedure. Let us go, function-by-function, and identify the fat and cut it.

But let us not adopt this amendment which is incapable of separating the worthy from the worthless.

Let us not adopt this amendment when it will hurt the poor, the elderly, the handicapped, and the unemployed. And let us not take this action when we have not the vaguest notion of where the cutbacks will be taken or whether they will impair our ability to respond in an appropriate manner to the serious inflationary and unemployment challenges which confront us.

I urge my colleagues to reject this indiscriminate approach to fiscal responsibility.

Mr. President, I will say the modification, certainly from this Senator's stand-

point, moves in the right direction. As I understand, the modification brings function 500 down to $400 million.

Mr. BUMPERS. No, $800 million.

Mr. WILLIAMS. That is moving in the right direction. The Senator from Arkansas has described for us what I shall call the early Bumpers, who came here feeling that across-the-board percentage cuts were bad business. Today he has changed his mind. I agree with the early Bumpers, rather than the latter day Bumpers, because his amendment today creates serious problems.

Function 500 encompasses the programs that we developed for some of the people who need our support most of all in this country—the older people, the unemployed, and handicapped. The programs that are in this function include vocational education, and all of the social services programs for people whose problems present the greatest human challenges to this body.

We have all seen how we can develop a program that makes life meaningful for older people, by bringing them a decent meal once a day. We have all been exposed to the results of a program where someone with a handicap, incapable of engaging in any gainful employment, is brought into an education program, learns a skill, and can go to work.

The problem here is that even with the reduced cutback under this modified amendment, we do not know where it will come from within all of these social programs. It is indiscriminate.

Education is in the function, in part. The Senator from Arkansas said that certainly we can cut $400 million from education. But this cut can go anywhere, and we do not know where it is going. These people that I have mentioned—the aging who depend on our community services program of nutrition, and other assistance; the handicapped who require vocational education and other social services—this is the function which serves their needs. It already had a substantial cut in the first resolution. It has been cut to the bone. I think we are in an area where we do not have any fat left. Many of these programs have no large administrative salaries. Take the aging program, which is undertaken in good part by volunteers.

There are many, many reasons to be against this indiscriminate approach to budget cutting.

Mr. JAVITS. Will the Senator yield me 1 minute?

Mr. MUSKIE. I yield 1 minute.

Mr. JAVITS. As a senior member of the Human Resources Committee and having been its ranking member for many years, I want to identify myself with the points made by Senator WILLIAMS and to endorse and support them. I point out, for example, in the CETA program, which is one element, we have already cut it 20 percent. This would propose yet another cut over the 20 percent we have already cut. And we are running into a recession. I deeply feel that it is very ill-advised.

Mr. MUSKIE. Mr. President, I yield 2 minutes to the Senator from Colorado.

Mr. HART. I thank the Senator.

Mr. President, it is unfortunate, I think, that the sponsors of the proposal to increase the defense function by 3 percent are not here on this amendment, because I think it is their responsibility and, to a certain degree, all of us who voted for that.

I want to say to my colleague from Colorado that he is to be complimented when he does propose a tax cut. He identifies specifically programs where that money can be saved.

The Senator from Arkansas deserves a great deal of credit attempting to reconcile two contradictory actions this body took in the last day or two. I think it is unfortunate we are now in this position. But if we let the situation remain the way it is, without making some cuts, then it is going to be extremely difficult, if not impossible, to move to a balanced budget in 1981.

The Senator from Nebraska earlier said that this is the only way he can see the cuts offered by the Senator from Arkansas, the only way to solve this problem.

I think he is, unfortunately, wrong. There were some weeks of deliberations of the committee. There are some specific areas much more clearly identified than the Senator from Arkansas has proposed, specific functions and specific programs in those functions where cuts could be made of about $2.5 billion, not quite as much as the Senator from Arkansas, but getting close to reconciling the increase in defense spending with an effort to keep the deficit down.

If we had more time, I would offer those proposed reductions as an alternative to the Senator from Arkansas. I think, unfortunately, the proposed list he has is too arbitrary, does not cut into programs, but necessary programs to run this country.

I think it is terribly unfortunate we did vote the increase in deficit spending without identifying the areas to make up the difference.

I thank the Senator from Maine.

Mr. MUSKIE. Mr. President, I have only 5 minutes and I have not spoken on the amendment yet.

Mr. BUMPERS. Mr. President, how much time have I left?

The PRESIDING OFFICER. The Senator has 4 minutes and 10 seconds remaining.

Mr. MUSKIE. Mr. President, I do not believe I will need to use the 5 minutes, because I think most of what I could say I have said in the course of this debate.

First, may I say that I share the frustrations of the Senator from Arkansas. He is an able, intelligent, committed Senator, and has supported the budget process consistently.

I understand the frustrations which prompt him to depart from his longstanding policy of opposing across-the-board cuts to propose this one.

That previous inclination has even operated to reshape this proposal, to make it a somewhat selective cut. Nevertheless, I cannot support his amendment, and why?

The first reason is this, Mr. President. This budget process will not survive unless it is perceived as being fair and just in its results.

Yesterday morning, we proposed a reconciliation which cut $2.4 billion in Appropriations Committee outlays for domestic programs. We cut more than that in budget authority.

Yesterday afternoon we spent what we had saved. We spent what we had saved by voting an increase in defense outlays for fiscal year 1980.

What is being proposed today is to make up or to offset the consequences of that increase in defense spending by cutting more from domestic programs with the result that Senator MAGNUSON of the Appropriations Committee will not have a $2.4 billion task, but a $4.9 billion task of finding savings in domestic programs.

At the same time, we have increased defense by $3.2 billion.

That is such a shift in the equities of the budget process that I cannot bring myself to accept it. I am not talking about my own consistency in voting against the Hollings amendment and voting for the reconciliation, and all that. I am just talking about the perception in the country of what we are doing.

Senator BUMPERS correctly quoted me in pointing out that in the caucus I said that if we want to raise defense spending, there are two ways to do it, raise the deficit or raise taxes. I did not suggest this third way.

We were just as parsimonious during the budget markup in screening domestic programs as we were in defense. We undertook to make the results as equitable a distribution of Federal resources as we could make it.

I would like to see the deficit come down. That has been the whole burden of my argument for 3 days. Yesterday I voted with 18 other Senators as testimony to that commitment.

But I cannot bring myself to be driven by my concern with that to a budget that will be perceived as unfair, inequitable, and unjust.

I can just see the reaction of the House conferees when I tell them, "Gentlemen, the Senate voted $3.2 billion more in defense, the Senate voted to cut domestic programs by $3.6 billion, including committees other than appropriations, and on top of that the Senate decided to pay for the military increases by cutting domestic programs by an additional $2.5 billion."

Mr. President, I cannot buy or support that act of injustice, and I do not think if the Senate votes it that I can sell it, let alone the hard compromise we worked out with Senator MAGNUSON and other committee chairmen as a result of the Senate Democratic Caucus concerned with this budget.

The Budget Committee asked for $4 billion savings in the reconciliation instrument. We were told that was not possible. So we adjusted it downward in order to make this process not just a Budget Committee process, but a Senate process. Having made that commitment to Senator MAGNUSON and the Appropriations Committee, I do not feel it fair now to turn around and say, "Gentlemen, you have to find the additional money to pay for this defense increase yesterday."

So, Mr. President, I think, in all honesty, what the Senate did in voting more

money for defense was to vote to increase the deficit. That is it. We cannot wiggle out of that consequence of the vote yesterday. That is it.

I do not like it. I opposed it.

Now, there are other Senators who will have to rationalize their position as best they can.

It may be this amendment will carry. But if it does, I do not believe I can sell it to the House, so I do not think it will survive.

I think the result is going to be increased defense levels and a deliberately increased deficit to cover it.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. BUMPERS. I yield 2 minutes to the Senator.

Mr. HOLLINGS. Mr. President, I do not think that the cut of $3 billion from the $543 billion budget is an injustice, or any of those other things referred to by my distinguished colleague, the chairman of our Budget Committee.

I worked for the budget process since its inception. And I have always worked for a balanced budget. I worked as a member of the ways and means committee at the State level 30 years ago. I worked as chairman of a budget and control board and obtained a balanced budget in South Carolina—the first southern State in America to do so. And I have worked on these things on the Appropriations Committee as well as on the Budget Committee.

I commend the Senator from Arkansas for a very deliberate and studied and conscientious effort to reconcile what we did yesterday. I feel keenly the responsibility for what we did yesterday with respect to the reconciliation.

The distinguished Senator from Arkansas has left the veterans alone. He has left alone the uncontrollables, such as interest. The staff of my Appropriations Subcommittee has already come to me and said, "We can't afford it. It will be tough." Well, we just have to afford it. We will have to work.

I do not accept the idea that this is a meat-ax approach. I will be in the conference and we will take four or five figures in the conference with the House and we will split. Many times there is $100 million or $300 million or $400 million, and when we split it, we do not call it a meat ax. But when we have a deliberate effort by the distinguished Senator from Arkansas, it suddenly becomes meat ax, irresponsible, and injustice.

I commend the Senator from Arkansas. I am a cosponsor of his amendment, and I wish I had more time to speak in support of it.

Mr. BUMPERS. Mr. President, I ask unanimous consent that the name of the Senator from Arizona (Mr. DECONCINI) be added as a cosponsor.

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

Mr. BUMPERS. Mr. President, I thank the Senator from South Carolina for his very eloquent remarks on a very difficult and delicate subject for all of us.

In designing this amendment, I tried to eliminate all the essential human resource programs for two reasons.

First, some of them are sacred to me as well as to other Members of the Senate.

Second, I know the political realities when you include them.

My amendment takes about one-half of 1 percent of the national budget and cuts it out.

One-half of 1 percent: If you do not think there is that much waste in your office, then vote against my amendment. If you think every other office is run a lot better than yours, then vote against my amendment. We could cut one-half of 1 percent of the Federal budget and get our deficit for 1980 below what it was in 1979. This would, at least, hold up our heads with some degree of pride when we go home and say, "We are trying to exercise a little discipline. We are trying to show that we can discipline ourselves and get this budget deficit down." Tell me how we are going to balance the budget in 1981 and cut $30 billion out of it.

You would think the world is coming to an end because a couple of human resource functions are included in this amendment.

Mr. President, this is not even a dramatic amendment. I hope my colleagues will support it. I promise them that next year, when we come here, they will find that nothing really has changed.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. MAGNUSON. Mr. President, will the Senator yield me one-half minute?

The PRESIDING OFFICER. All time has expired.

Mr. MUSKIE. Mr. President, I move to table the amendment.

Mr. MAGNUSON. Mr. President, I ask unanimous consent that I may have a half-minute.

Mr. MUSKIE. We have no time remaining.

Mr. BAKER. Mr. President, I do not want to set a precedent, but——

Mr. MAGNUSON. I want 10 seconds to correct the RECORD.

Mr. MUSKIE. Mr. President, I ask unanimous consent that the Senator from Washington may have 10 seconds.

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

Mr. MAGNUSON. The Senator from Arkansas talks about one-half of 1 percent. It actually amounts to 3 percent or more, because we are dealing, as I said before, with about 70 percent uncontrollables. That is the difference. It amounts to more than 3 percent, not one-half of 1 percent.

Mr. NUNN. Mr. President, will the Senator yield 10 seconds for a unanimous-consent request?

Mr. MUSKIE. He set the precedent of extending the time under the budget resolution.

Mr. NUNN. I withdraw it.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

Mr. MUSKIE. Mr. President, I move to table the amendment, and I ask for the yeas and nays.

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

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Arizona (Mr. GOLDWATER) is necessarily absent.

I also announce that the Senator from Vermont (Mr. STAFFORD) is absent on official business.

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

The PRESIDING OFFICER (Mr. TSONGAS). Are there any Senators in the Chamber who wish to vote?

The result was announced—yeas 57, nays 41, as follows:

[Rollcall Vote No. 299 Leg.]

YEAS—57

Baker	Glenn	Metzenbaum
Baucus	Gravel	Morgan
Bayh	Hart	Moynihan
Bellmon	Hayakawa	Muskie
Biden	Heinz	Nelson
Bradley	Inouye	Packwood
Burdick	Jackson	Pell
Byrd, Robert C.	Javits	Randolph
Cannon	Johnston	Ribicoff
Chiles	Kassebaum	Riegle
Cohen	Kennedy	Sarbanes
Cranston	Leahy	Schmitt
Culver	Levin	Stennis
Dole	Long	Stevens
Domenici	McGovern	Stevenson
Durkin	Magnuson	Tsongas
Eagleton	Mathias	Weicker
Ford	Matsunaga	Williams
Garn	Melcher	Young

NAYS—41

Armstrong	Hatch	Proxmire
Bentsen	Hatfield	Pryor
Boren	Heflin	Roth
Boschwitz	Helms	Sasser
Bumpers	Hollings	Schweiker
Byrd, Harry F., Jr.	Huddleston	Simpson
	Humphrey	Stewart
Chafee	Jepsen	Stone
Church	Laxalt	Talmadge
Cochran	Lugar	Thurmond
Danforth	McClure	Tower
DeConcini	Nunn	Wallop
Durenberger	Percy	Warner
Exon	Pressler	Zorinsky

NOT VOTING—2

Goldwater	Stafford

So the motion to lay on the table Mr. BUMPERS' amendment (UP No. 566) was agreed to.

The PRESIDING OFFICER. All time having expired——

Mr. MUSKIE. Mr. President, I move to reconsider the vote by which the motion to lay on the table was agreed to.

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

The motion to lay on the table was agreed to.

Mr. MUSKIE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. MUSKIE. What is the next vote?

The PRESIDING OFFICER. All time on the concurrent resolution having expired, the question then would be on agreeing to the concurrent resolution, as amended.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent to proceed for 1 minute.

The PRESIDING OFFICER. The Senate will be in order.

Is there objection to the request of the Senator from West Virginia? Without objection, it is so ordered.

ORDER OF PROCEDURE

Mr. ROBERT C. BYRD. Mr. President, following the final vote on the Second Concurrent Budget Resolution, the Senate will proceed to the consideration of the conference report on the Panama Canal implementing legislation. Conceivably there could be a vote this evening. So I suggest that Senators not leave for a while yet.

Mr. HARRY F. BYRD, JR. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. HARRY F. BYRD, JR. The Senator from Virginia has a 10-second statement. Is he precluded from making that at this point?

The PRESIDING OFFICER. It would require unanimous consent.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senator from Virginia may proceed for 1 minute.

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

Mr. HARRY F. BYRD, JR. Mr. President, this is an appropriate time, I think, to insert in the RECORD an analysis showing the tremendous increase in the cost of Government and the tremendous increase in tax revenues taken from the people of the United States to operate this Federal Government.

I shall vote against this budget resolution setting spending for fiscal year 1980.

The spending figures are much too high—and the $32 billion deficit is greater than the budget deficit for the current fiscal year. Instead of reducing the current deficit we are increasing it—thus taking the Nation further away from a balanced budget.

I have prepared a table showing a comparison in the cost of government for the year 1960 compared with 1979. The spending figures in the pending 1980 budget resolution are even greater.

In 1960, total expenditures of government were $92 billion. By 1979, this had increased to $496 billion—and the 1980 spending figure is $546 billion.

Because of the huge deficits, the national debt has doubled during the past 8 years and now stands at $840 billion. The interest cost on this—just the interest—is debt $60 billion for 1979, and is estimated to be $67 billion in 1980.

Mr. President, I ask unanimous consent that a table showing the figures to which I have referred be printed in the RECORD at this point.

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

FISCAL YEAR 1979 COMPARED TO FISCAL YEAR 1960

[Analysis of Federal receipts and expenditures]

	Fiscal year—	
	1960	1979
Receipts in billions:		
Individual income taxes	$41	$217
Corporate income taxes	21	68
Subtotal, income taxes	62	285
Excise taxes (excluding highway)	[1] $10	[1] $11
Estate and gift	2	5
Customs	1	7
Miscellaneous	1	9
Total, Federal fund receipts	76	317
Trust funds (social security and highway, less interfund transactions	17	149
Total	92	467
Expenditures in billions:		
Federal funds	76	363
Trust funds (less interfund transactions)	17	133
Total	92	496
Unified budget surplus (+) or deficit (−)	0	−30

[1] Excludes highway and airport trust fund.

TRUST FUNDS—RECEIPTS AND OUTLAYS

[In billions of dollars]

	Fiscal year 1960		Fiscal year 1979	
	Receipts	Outlays	Receipts	Outlays
Social security	$11.510	$11.723	$101.818	$104.403
Unemployment	2.703	2.736	15.700	11.500
Federal employees retirement	1.766	.852	20.631	12.475
Highways	3.027	3.433	8.153	6.839
Other	.222	.999	43.145	37.719
Total	19.228	19.743	189.447	172.936

	Fiscal year—	
	1960	1979
Appropriations for:		
DOD	$42,885,844,000	$121,271,361,000
HEW	$3,514,572,000	$57,997,515,000
Legislative branch	$116,686,000	$1,139,705,500
Supreme Court	$1,858,000	$9,959,600
White House	$2,221,000	$18,733,000
Total number of full-time civilian employees for:		
Defense	1,039,996	1,061,361
HEW	68,849	143,000
White House (Office)	338	1,371
Supreme Court	163	312
Legislative branch	14,954	39,059
Military retirement cost	$692,922,172	$10,281,000,000
Average annual salary paid Federal employees in civilian work force	$5,273	$17,800
Maximum Federal salary	$17,500	$47,500
Average monthly social security benefit paid retired couple	$124	$482
Average interest rates on Government instruments (percent):		
3 months	2.9	8.83
3-5 year notes	4	8.78

Inflation rate for calendar years 1960 through 1979:	Percent
1960	1.5
1961	.7
1962	1.2
1963	1.6
1964	1.2
1965	1.9
1966	3.4
1967	3.0
1968	4.7
1969	6.1
1970	5.5
1971	3.4
1972	3.4
1973	8.8
1974	12.2
1975	7.0
1976	4.8
1977	6.8
1978	9.0
1979	13.6

Expansion of money supply from 1960 through 1979: [1]	Percent
1960	0.4
1961	2.8
1962	1.4
1963	4.0
1964	4.5
1965	4.3
1966	2.9
1967	6.3
1968	7.6
1969	4.0
1970	4.8
1971	6.6
1972	8.8
1973	6.2
1974	5.1
1975	4.6
1976	5.8
1977	7.9
1978	7.2
1979	

[1] Federal Reserve calculations based on 4th quarter average of 1 year, divided by 4th quarter average of preceding year.

● Mr. BENTSEN. Mr. President, before we take the final vote on the second budget resolution for 1980, I want to spend a moment summarizing my views for the RECORD.

As I have stated on other occasions, I support a tax cut of approximately $20 billion and would like to see that tax reduction reflected in this resolution. However, in numerous conversations with my colleagues, I can sense that there is not enough support for the Senate to adopt this position, and therefore, I do not plan to offer this as an amendment.

The reasons that I support a tax cut at this time are very straightforward:

First. The widely anticipated recession is upon us. For 1979 as a whole, the American economy will show little or no positive growth, and 1980 promises to be another very weak year;

Second. Since we debated this resolution last April and May, inflation has been running at double the rate targeted for 1979, and this has caused taxes to be far too burdensome for both businessmen and consumers. The tax cut I have proposed would not be large enough to really stimulate the economy, but it would relieve the excessive pressure that has been building up during the year;

Third. The time to act is now. If we wait until the unemployment lines grow longer and the economic pie shrinks further, then we will have lost an opportunity. The economic hardship that could have been avoided will be a reality;

Fourth. The kind of tax cut I support will have no adverse consequences for the economy. I am not advocating the traditional kind of tax cut designed only to shore up the demand side of the economy. One-half of the tax cut I propose would provide incentives for greater investment and savings—to shore up the supply side of our economy. That kind of tax cut will not increase the rate of inflation—on the contrary, it will help improve our capacity to produce more goods and services. And in the long run this type of tax cut would actually reduce the rate of inflation; and

Fifth. I want to see this Congress enact a tax cut early enough so that it can dampen the impact of the recession, prevent a serious downturn, and preempt congressional initiatives for increased spending. Historically, the Congress has used recessions as an excuse to increase the size of the public sector. That is the

sort of expensive reflex reaction that must be avoided in the future. I want to see us use this recession to break the cycle of the past and accomplish some of our legitimate economic objectives.

I would like to remind my colleagues of a bit of history. During most of 1974 the economic signals were mixed. There were various signs that the economy was weakening, but the unemployment rate held steady between 5 and 5½ percent. In March of that year the Joint Economic Committee recommended that a small tax cut be considered to offset the pressures that were beginning to build. In September 1974 the unemployment jumped 0.5 percentage points. And between October 1974 and May 1975, the unemployment rate rose about one-half point per month until it finally peaked at 9.1 percent.

I am not suggesting that the situation we face today is as bad as the one we faced in 1974—although no one anticipated the seriousness of that recession, But I am suggesting that the longer we wait before taking action, the more serious a decline we are likely to experience. Already some economists are talking about unemployment rates of 8 percent and higher. We must not be lulled into complacency by the fact that it has remained at 6 percent or less so far this year—our history shows that it can rise very rapidly.

The $20 billion tax cut I have recommended is rather small in comparison to our $2 trillion economy. As Wharton School economist, Lawrence Klein, put it, such a tax cut "won't be enough to thwart a recession, but it will keep it from turning into a really deep and dangerous one."

A modest tax cut oriented toward the supply side of the economy—enacted early enough to prevent a severe recession—and designed to foster savings and investment will stimulate real growth in the long run and lead us to a balanced budget far more effectively than a policy that avoids a supply side tax cut, maximizes the probability of a severe recession and encourages the expansion of costly Government spending programs.

I said earlier that I do not believe that there is enough support to amend this budget resolution as I would like. But I will predict that before the year is over, many more of my colleagues will come to the same conclusions that I have reached.●

● Mr. BIDEN. Mr. President, I intend to support the second concurrent resolution on the budget. I also support the new formula that has been worked out to hold down spending without doing violence to essential Government services. I believe that this formula is, in the words of our chairman, Senator MUSKIE, a "reasonable and supportable compromise of a difficult issue," and I am pleased to have participated in the meetings that developed it.

ENERGY AND INFLATION

Mr. President, if there ever were any doubt that there are no easy answers to this country's economic problems, those doubts should finally be laid to rest by the issues before us today in the second concurrent budget resolution.

We are confronted with the dilemmas of helping to provide for the growing needs of the elderly, the ill, and the less fortunate, while providing economic relief for the overburdened middle-income American taxpayer. At the same time, we must bring Federal spending and inflation under control. It is little wonder that surveys indicate the American public has little economic optimism for the future.

The ravages of inflation coupled with ever-escalating energy prices have brought this country to a new low in our more usual American spirit of "can-do" self-assurance. The American people are, indeed, in the throes of a "crisis in confidence"—and rightly so. We simply have not been able to respond to the legitimate economic need of the lower- and middle-income people of this country, and offer the public any assurance that we, their elected officials will make the tough decisions which we must make to provide for a brighter and more stable economic future.

For example, let us just take a look at what energy costs are doing to the the budgets of moderate-income households.

Since January of this year the price of home heating fuels have risen dramatically. Residential fuel oil, for example has skyrocketed from 54 cents a gallon to 80 cents a gallon in just 9 months—an increase of almost 30 percent. We now are looking at the prospect of $1 a gallon heating oil by the end of 1979. This means that the 200 gallon tank which cost $108 to fill last January, now costs $160, and may well be above $200 by year's end.

Mr. President, for many families such a price rise will not just be unfortunate, but could well be catastrophic.

Last winter the average low-income household spent almost 20 percent of its income on household fuel and utilities.

Last fall Congress received testimony from Mr. Anthony Maggiore of the Social Development Commission in Milwaukee, Wis., indicating that:

> At $1 per gallon (for fuel oil), 67 percent of the average household income would be used for home heating oil.

Sixty-seven percent just to keep from freezing. Where does the money come from to pay the rent, buy food and meet medical bills?

But the average American is not just struggling with spiraling energy costs. Those costs have impacted on—and will continue to aggrevate—an unacceptably high inflation rate—helping to completely derail the average American's household budget.

Mr. President, double-digit inflation is a two-edged sword, doing violence not only to family budgets, but also pushing American workers into higher tax brackets as salaries try to keep pace—further reducing available income and real purchasing power.

With Americans on such an economic treadmill, it is not hard to understand the depths of public pessimism.

SPENDING RESTRAINT

As I indicated earlier, I support the compromise spending reduction plan that will be put forward during the consideration of the budget resolution. This proposal can reduce outlays by over $3.3 billion without striking at the needs of our more disadvantaged citizens, including the energy problem I discussed earlier. This proposal will not seek to balance the budget on the backs of the poor, the ill, or the elderly. It can provide adequate funds to meet their needs in these times of high inflation and the coming recession which threaten the ability of many to stay afloat financially. I know that there will be proposals before us to slash spending in such areas as education, job training, health care, and income security, supposedly in order to provide tax relief without increasing the deficit. I have my own proposals for a tax cut which I will spell out in a minute—for I believe a tax cut now is essential.

I cannot support proposals that cut essential services proposals that would provide tax relief at the expense of essential services. Therefore, I support the substantial reductions in spending contained in the most recent proposal for the budget resolution, but I must oppose efforts to reduce spending still further, whether to provide a tax reduction or for other reasons. We simply cannot reduce spending beyond the deep cuts provided for in this budget resolution without doing irreparable harm to the vital services government does and should provide the American people.

WINDFALL PROFITS TAX

I believe that it is possible to meet the needs of those who are hurt by our terrible economic circumstances and do it without, over the long haul, creating escalating deficits. The key to this is the proposed windfall profits tax on crude oil. This tax must be set at rates high enough to recover the bulk of undeserved profits that oil companies will realize from escalating world petroleum prices.

This means that the tax can bring in significantly more revenue than is now anticipated by the budget resolution before us. Over the next 10 years it could result in additional revenues for the Treasury of more than $200 billion. With the more prudent approach that Congress seems likely to take toward the development of synthetic fuels, probably less than half the revenues earmarked from this tax for synfuels will be needed to meet synthetic fuel development costs. The balance can be used in a 10-year program to meet the needs of disadvantaged and to provide tax relief for the American taxpayer without, over that 10-year period, creating ever-escalating deficits.

I think the first step in such a 10-year program should be to provide a tax cut right now. In the next few years, more than enough revenue can be realized from the windfall profits tax to offset the immediate loss of revenue that will occur. Therefore, although I support the budget resolution before us, I am disappointed that it does not contain room for such a tax cut.

In order to accommodate a tax cut, however, we must hold the line on the windfall profits tax. Mr. President, this tax is not a "penalty" to the oil industry as some have argued. This is not further

Government interference in the affairs of private enterprise. Rather, the windfall profits tax permits the American people to "recapture" some of the revenue attributable to the unjustified price increases of the OPEC cartel. The tax more than adequately allows the oil industry new incentives for the development of American oil reserves. Even with a windfall profits tax as proposed by the administration the oil industry will realize profits amounting to $96 to $117 billion between 1979 and 1980.

Mr. President, the windfall profits tax helps return to the American people some of the revenue which substantially higher fuel prices would siphon off. This tax is reasonable, just and necessary. I cannot understand how some of my colleagues can seriously argue that we should dramatically reduce Federal spending even beyond the cuts incorporated in this budget resolution—in effect cutting into the marrow of important domestic programs—while arguing that we should allow the oil industry to enrich itself on the substantially increased earnings which soaring oil prices are reaping.

Mr. President, can we possibly have our national priorities so distorted that we would actually reduce essential Government services so as to provide the oil industry with still higher profits—profits which will do nothing to provide for more domestic oil. I cannot believe we would adopt such a policy prescription.

Rather, Mr. President, Congress should pass a strong windfall profits tax in order to generate the revenue needed not only to allow for a substantive tax cut to help provide for those programs which will allow us to get out from under the OPEC yoke.

TAX REDUCTIONS

Mr. President, I have concluded that both equity and economic conditions require an immediate tax reduction for individual taxpayers.

With regard to equity, the revenue figures in this budget resolution speak for themselves. In just a little more than 2 months since the first budget resolution was approved in May, estimated revenues have risen by $3.5 billion, despite the fact that our estimates of economic growth have fallen substantially since then. Even more startling is the increase of almost $9 billion in revenues above the estimate made by the Senate Budget Committee in its April 12 report on the first concurrent budget resolution.

And if one looks at the increase in revenues between 1979 and 1980, one finds an estimated increase of $46 billion. In all of these estimates there is a built-in assumption of a slowdown in our economy. Even so, inflation will push taxpayers into higher tax brackets so rapidly that the increased taxes from inflation are far more than offsetting any decreased revenues from the coming recession. I believe that we must give some relief to those taxpayers whose real income is being eroded by a combination of inflation and taxes.

This budget that we are working on today contains cost-of-living increases for social security benefits. They are necessary for the mere survival of many. There are cost of living adjustments for many other programs—veterans programs, nutrition programs, retirement programs, medical care programs. I support these also. But when we come to the revenue side of the budget, we are told that an inflation adjustment in taxes is too inflationary: that it will destroy the steady course of our fiscal policy intended to eliminate inflation. So we can do nothing for the taxpayers, it is argued.

First, I reject the argument that the thing that destroys our steady fiscal course and threatens increased inflation can be narrowed to a tax cut. The things that threaten—if, indeed, anything does—is the sum total of all our actions on the budget—increased defense spending: the cost of living adjustments mentioned above; increased refugee assistance: more water resource spending: more energy development spending. No one of these things can be blamed for unbalancing the budget—it is the sum total of them. To make the taxpayers and their tax reduction the scapegoat is totally unfair.

It is also utterly unwise, considering the economic outlook, not to have a tax cut now.

It is clear that no one knows how to predict the course of the economy. But I believe the outlook is grim. I have thought for some time that the current economic scene is unpleasantly reminiscent of 1974 when our Budget Committee was just getting underway. Our chief target was inflation, pushed to double-digit levels by increased energy costs. An economic downturn lurked in the background, apparent to anyone who looked carefully.

But I have been told that I am wrong. That things are different today.

For this reason I was interested in an article in the quarterly review of the Federal Reserve Bank of New York—surely a reputable source. That article, entitled "The Business Situation—Current Developments" noted:

> In many respects recent energy developments—the sharp rise in fuel prices and reduced availability of gasoline—are reminiscent of the 1973–74 oil embargo which tripped the United States economy into its worse recession in post-war history.

In my view, not only will the country suffer from the energy problems occurring earlier this year, an equal matter for concern is that the energy outlook for the next year is very unstable. I see no assurance that there will not be further price shocks and further shortages. The outlook for fuel oil this winter is not encouraging—either in price or in supply. When this energy outlook is combined with the inflation outlook, the plight of the consumer is bleak. And the evidence is that consumers know it and are retrenching.

When you have total uncertainty about energy supply or cost; when you have the virtual certainty of continued rampant inflation; when consumer buying power is dramatically lowered; and when consumer confidence is shattered—then we have the makings of a very serious economic downturn next year.

I hope not, but I do not want to make the mistake that we made in 1974. At that time we were too busy fighting inflation to see the other menace that lurked around the corner. So we waited for a tax cut until consumer confidence had fallen so low that the tax cut enacted in 1975 could not even budget it.

That cut was, in my judgment, a total loss as a recession fighter. I believe that we must act now to put in place a substantial tax cut to help prevent a serious recession.

Finally, I know that I must expect to be told that a tax cut will be inflationary at a time when lowering inflation is our goal. I agree that lowering inflation is at least one of our important goals. But, I do not agree that a tax cut will be significantly inflationary, particularly when compared with the economic and equitable relief it will provide. Specifically, I believe the extent of the economic downturn will unforunately be sufficient to overcome almost any inflationary effect.

But what happens if one assumes a less serious downturn, as does the Budget Committee in its markup documents used to prepare this resolution? The Budget Committee staff prepared a series of fiscal options, one of them a personal income tax cut of $15 billion. The staff estimate of the effect of this tax cut on inflation was: Nothing in fiscal year 1980; an increase in inflation in 1981 of only one-tenth of 1 percentage point; and the same increase again in 1982. When we are fighting inflation rates of over 13 percent, a tenth of a percentage point a year or two from now is worth the price in return for the economic benefits it will bring—to say nothing of the financial relief it will give to many hard-working Americans. But certainly another option—and we are not deciding the exact form of tax relief here today—another option is to reduce the increased payroll tax burden that will be coming in the next 2 years. If we do that, the result on inflation is very positive—decreases of about two tenths of a percentage point in 1980 and 1981.

In summary, Mr. President, we need a tax cut and we need it right now while it can still do some good. Such a tax cut need not stand in the way of balancing the budget in 1981—that can still be done. In the longer run, the availability of revenues from the windfall profits tax will assure a large and equitable new revenue source that will permit further reductions in individual income taxes.●

● Mr. BOSCHWITZ. Mr. President, last spring the Senate passed the first budget resolution by a wide margin. While that budget contained some cuts in worthwhile programs, many of which are important to Minnesota, I felt that the restraint shown in the overall totals justified sacrifices on everyone's part. I supported the first budget resolution because I believed it would slow the growth of Government spending and therefore curtail inflation. In previous years, Government spending has been growing 11 to 12 percent. The first budget resolution provided for only a 7.6-percent increase in spending. I viewed this as a significant reversal of Congress spending pattern.

However, in the past few months, a

time when the economy is certainly not performing in an exemplary fashion, I have witnessed a return to the old pattern of trying to solve problems by spending. This is happening at a time when it is more important than ever to hold down Government spending because inflation is now running at an annual rate of over 13 percent. Again, I believe, as do most economists, that high Government spending contributes to inflation. Yet this second budget resolution, which increases spending significantly, only perpetuates the cycle of inflation and, indeed, worsens it.

Although the first budget resolution was a step in the right direction toward reducing the growth rate of Government spending, Congress has not achieved the goals of that budget.

I did not support this budget resolution in committee, and cannot support it in its present form because it is a band-aid approach to our Nation's economic ills. Simply adding in more money to try to offset inflation's effects will do nothing to bring inflation or unemployment down. Offsetting inflation is a laudable goal, but by pouring more money into Government programs, we are sending a message to the American people that inflation is inevitable. I believe, instead, that we should try a preventive approach. We should hold down the growth of Government spending and restore incentives for work and savings, which create real economic growth, before we are deeply imbedded in a recession, before millions of workers are thrown out of jobs, before the inflation rate worsens.

Mr. President, you may have heard the saying that if you tax something you get less of it, and if you subsidize something you get more of it. This is exemplified in this budget as reported by committee. We are taxing productivity and subsidizing inflation and high unemployment—in short, a recession.

Allowing inflation to push people into higher tax brackets and saying in the next breath that tax cuts should not be enacted until 1982 so we can balance the budget is illusory at best. People all over this country are calling out for a balanced budget. This budget is not the way to do it.

It seems to me that there are two distinct approaches to this goal of balancing the budget. The first, which I support, is to balance by restraining the growth of Government expenditures. With less Government money floating around in our economy, and therefore, less Government intrusion into the free enterprise system, I believe the private sector has a better chance to get back on its feet. It is the private sector, not the Government, that creates the vast majority of jobs. It is the private sector, not the Government, that produces most of the products that people need. Increased tax revenues are the result of more jobs and more production.

So it is in the best interests of us all to insure that the private sector is able to achieve real economic growth. I am convinced that tax revenues will grow if we restore economic incentives. Only by a combination of holding back increases in Government spending and encouraging private sector growth through tax cuts, can we balance the budget.

The second group of budget balancers wants to increase taxes until they catch up with Government spending. The experience to date shows that this approach also causes inflation and unemployment. When the Government pumps more money into our economy that is not matched by an increase in the supply of goods, inflation is the result. That is the definition of inflation—too much money chasing too few goods. Money is a commodity just like eggs or flour, and when there is too much of any commodity the price goes down. This decrease in the price, or value, of money is inflation. By the same token, when we try to increase revenues by allowing inflation to push people into higher tax brackets, we are doing nothing to promote any increase in the supply of goods. And so real economic growth declines, as it is now, and higher unemployment and more Government spending is the result. You cannot collect taxes from people who are not working, so revenues will never catch up with Government spending.

We are taxing work and saving at unprecedented high levels. As a result, productivity is at its lowest point in our history. By the same token, instead of just adding in more money to pay for more unemployment compensation when the unemployment rate goes up, we should be working on solutions which preclude such a rise in unemployment, such as tax cuts which would create more jobs. And the time for that is running short, as shown by last month's rise in the unemployment rate to 6 percent.

This budget resolution accepts a 9.8 percent rate of inflation in the next fiscal year. Not only does it say that 9.8 percent is a valid estimate, it goes one step further and guarantees it will stay at such a high rate by adding over $10 billion of spending. This budget resolution also accepts as valid an unemployment rate of 7.2 percent. Again, it guarantees that this will come to pass by forgoing any tax reductions until future years.

Next year is an election year. With unemployment rising and inflation rising, everyone knows that a tax cut is inevitable. We are fooling ourselves by not planning for it now. I realize it is difficult to make the hard choices as to where spending cuts will have to be made to accommodate a tax cut so the deficit will not rise. But I believe it can, and must, be done. This is the only valid path to a balanced budget.

It is with great reluctance that I felt compelled to oppose this budget resolution. The Budget Committee itself is an important part of our legislative process and deserves the support of Congress. Unfortunately, I do not think that this budget resolution fulfills the goals of the Budget Committee. The committee was created to try to get a handle on Government spending and to provide a framework for congressional action on economic problems. This second budget resolution does neither. It promotes Government spending at unprecedented high levels. It is a rubber stamp to the administration's policy of—let us wait and see how bad the recession gets before we do anything. I disagree with this policy strongly. I feel Congress must take the initiative now to prevent a deepening of the recession.

The second budget resolution as reported by the committee recommends that revenues increase over $48 billion in the next fiscal year. This is because Americans everywhere are being pushed into higher and higher tax brackets. Revenues as a percent of GNP will be 20.6 percent. This is the highest rate ever except for the years 1944 and 1945 when we were fighting in a world war, and 1969 when Congress enacted a surtax to help finance the Vietnam war. There is no military war being waged at present which justifies such a high level of taxation. The only war we are waging right now is a war on inflation and unemployment, both of which require the exact opposite response to win.●

● Mr. PRYOR. Mr. President, I would first like to commend the chairman and the members of the Senate Budget Committee for the initiatives which they have undertaken in the second concurrent budget resolution. The economic situation of this country places us at a crossroads and now, more than ever before, difficult decisions must be made in order to trim our national budget to an acceptable level. I would only caution my colleagues, however, that as we strive to reduce the budget deficit, we must be ever mindful of the needs and concerns of the American people.

As I stated to you during debate on the first concurrent resolution on the budget, I am specifically concerned about the Budget Committee's recommendation regarding the current twice a year cost-of-living adjustment formula for Federal retirees. The second concurrent resolution, as reported, proposes to reduce the level of funding of the Civil Service Retirement System by $100 million and the Budget Committee's report recommends that the savings be achieved by changing the semiannual cost-of-living formula to a once-a-year provision.

It is, however, my understanding that such recommendations or assumptions are not binding on the Congress and the Governmental Affairs Committee may properly achieve the specified reduction by legislation other than that mentioned in the Budget Committee report.

Mr. President, I have expressed my concerns on this issue on various occasions. On July 20, 1979, the Budget Committee wrote to Senator RIBICOFF, chairman of the Governmental Affairs Committee, alerting him to the Budget Committee's plans to begin markup of the second budget resolution. I, along with Senators RIBICOFF, PERCY, and STEVENS, joined in the response in a letter dated July 27, 1979.

Our letter outlines the fact that the Subcommittee on Civil Service and General Services, which I chair, mindful of

the assumptions of the first concurrent resolution, held hearings on the Civil Service Retirement System on July 12, 1979. At the hearing, the subcommittee received testimony in opposition to such a change from many organizations and individuals, including members of the Senate Budget Committee. Moreover, a representative of the Office of Personnel Management stated that the administration has no present plan to propose or support a change in the adjustment formula.

Our letter further outlines other areas where the committee believes that comparable savings can be achieved. Already, legislation affecting the civil service disability retirement program is being developed. We will pursue that and other areas. As I said, Mr. President, I support budget reductions and I think we can achieve them. Certainly, our committee wishes to give its best efforts toward responsible legislative initiatives.

I certainly appreciate the cooperation and support of the Budget Committee in allowing the Governmental Affairs Committee the needed flexibility under the budget act to determine how best the recommended levels of savings should be achieved. I am pleased with the technical amendment offered by Senator MUSKIE which clarifies the authority of the Governmental Affairs Committee to act on this issue. I believe that the cost-of-living adjustment formula for Federal retirees is important to maintaining the purchasing power of our Federal retirees, many of whom who are on lower fixed incomes. Based upon the information which has thus far been presented to the Governmental Affairs Committee I do not support any action to reduce these benefits. Rather I intend to join my colleagues on the Governmental Affairs Committee in efforts toward achieving the proposed levels of savings by pursuing legislation which will not impose special hardships on individual citizens, but which are consistent with the necessary budgetary constraints that we face.●

ANNOUNCEMENT OF POSITION ON VOTE ON DIVISION 2 OF HOLLINGS AMENDMENT

● Mr. DOLE. Mr. President, during the vote on division 2 of the amendment of the Senator from South Carolina, regarding increased defense spending to provide for 5-percent real growth in budget authority in fiscal years 1981 and 1982, I was necessarily absent.

If I had been present for this vote I would have voted in favor of this measure.●

Mr. CRANSTON. Mr. President, it is with great regret that I announce that I cannot support the Senate's version of the second concurrent resolution on the budget for fiscal year 1980.

I have strongly supported the attempt to bring fiscal responsibility to the Congress from the inception of the new budget process.

I worked hard with other Members of the Senate to enact the Congressional Budget Act in 1974.

I served on the Senate Budget Committee from its formation until last year when I was required by Senate rules and the pressure of other assignments to relinquish my seat.

The budget process has achieved many things in its short life.

It has saved many billions of taxpayer dollars.

It has served as an important vehicle to help devise a national economic policy, and to coordinate that policy with the actions of Congress to meet our national needs.

It has helped to make the whole Congress budget conscious.

These are major and very desirable achievements.

I continue as a strong supporter of the budget process.

I do not share the view of those who believe we should go back to the old way.

But, Mr. President, even such a valuable and important process can produce results which in my view are both fiscally unsound and unfair—and that is what the amended version of the second concurrent resolution on the budget for fiscal year 1980 is.

It is fiscally unsound because it reverses the progress Congress has made toward a balanced budget by providing for a deficit $1.7 billion greater than last year.

When the distinguished Senator from Maine took the floor to open the debate on this resolution, he stressed the importance of holding down deficit spending and avoiding a bigger deficit than last year, goals I share.

"The Budget Committee would have failed in its responsibility to the Senate had we not recommended reconciliation to keep the 1980 deficit from rising over the deficit for 1979," he said.

The amended resolution which the Senate now has before it is unfair because it inflicts suffering on those least able to bear it, while placing no appropriate restraint on inflationary, across-the-board increases in undefined aspects of military spending for which an adequate case has not been made.

I have said many times that I do not believe we can or should balance the budget on the backs of the poor, the aged, and the disabled.

This resolution abandons our momentum toward a balanced budget, while—in the name of fiscal responsibility and without other justification—it requires cuts in services to those in our society who suffer most from inflation and who are least able to survive without assistance.

Early in this debate I took the floor with an amendment opposing cuts in service-connected disability compensation or other veterans entitlement benefits, and in Veterans' Administration health care programs below essential levels that the Senate had approved earlier this year.

My amendment, coupled with the Muskie substitute, would have left the projected deficit for fiscal year 1980 $1.2 billion lower than the fiscal year 1979 deficit, and $2.9 billion lower than the deficit projected in the resolution which is before us.

My amendment was called—erroneously—an attempt to exempt the Veterans' Committee from any and all responsibility to find some savings to hold down the cost of Government.

That misleading rhetoric totally ignored the vigorous and successful efforts that those of us on the Veterans' Committee have made to achieve savings where they are achievable—to eliminate waste and abuse, tighten administration, and reduce costs in veterans' programs.

These efforts, when finally adopted by the full Congress, will yield savings in veterans programs of almost $80 million in fiscal year 1980, and $448 million over the next 5 years.

My resolution opposing unwise, unfair cuts in veteran programs to the budget was defeated.

Yet the Senate subsequently adopted an amendment which increased the projected deficit for fiscal year 1980 by $3.2 billion, a development which the distinguished chairman of the Budget Committee only yesterday had called "unacceptable."

Chairman MUSKIE pointed out that—

> We must make painful cuts in valuable social and economic programs, ask people to do without some of the government services they seek, and ask the individual Members of Congress to set aside some of their favorite programs for the common good. We must do it if we are ever to control the budget.
>
> Those who argue for a 3- or 5-percent increase for defense would set aside important social goals in the name of economy, but add over $100 billion new for undefined defense programs of no proved value and no demonstrated need.
>
> If we adopt these increases in the face of this evidence, the deficit will increase. We will build new spending momentum into the budget. We will saddle the future Congresses with even more painful choices. We will throw oil on the fires of inflation in an important industrial sector. And we can say goodbye to all the brave talk about bringing the budget under control.

The consequences are equally unacceptable to me.

I cannot support this resolution.

● Mr. RIEGLE. Mr. President, I intend to vote against the second budget resolution.

I have come to this position, Mr. President, with some regret. I would have preferred to join the distinguished Budget Committee chairman, Senator MUSKIE, and my other colleagues in defending the committee's recommendation on the floor. I would prefer to vote for final passage today. Unfortunately, I could not support the resolution as it was reported from committee and I cannot support the resolution as it now stands.

I wish to state some of my reasons for opposing the resolution in its present form.

First, I believe the budget resolution, as amended, does not sufficiently respond to the worsening economic situation.

This resolution would continue the policy of fiscal restraint that was adopted in the first resolution last April. But the economy has deteriorated sharply since then. In fact, nearly all the indicators confirm that the economy is now in a recession.

I am not reassured by economic forecasters who claim this will be a short and shallow recession. Dr. Walter Adams, distinguished university professor at

Michigan State University, reminds us of the events of early 1974. Three leading magazines—Fortune, Business Week, and U.S. News & World Report—assembled a small army of economists to predict what the year would bring. With very few exceptions, they said the stock market would rise; it fell 300 points. They said the inflation rate would decrease; it rose to about 12 percent. They said unemployment would peak at 6 percent; it was above 7 percent at year's end and rising. Above all, they said there would be no recession.

I am disturbed by signs that we may once more be in for a deep and lengthy recession. In my own State of Michigan, unemployment has been consistently higher this year than last. Even under the more optimistic forecasts, Michigan's unemployment rate is expected to rise from a rate of 7.4 percent in July to 10 percent in 1980. Respected economists who study the Michigan economy expect unemployment in Michigan to rise to as much as 11 percent.

Within the last few weeks initial claims for unemployment insurance in Michigan have soared. In fact, initial claims in the week of August 4 were 64,000—close to the alltime record experienced in January 1975, near the bottom of the last recession.

Mr. President, some Senators have said that high levels of unemployment are a risk we should run in order to help cool inflationary expectations. I agree that the current inflationary forces are very dangerous and I am frustrated that effective remedies have not been found. But I emphatically reject the notion that the current inflation can be brought under control by inducing a recession.

Arthur Okun has recently said:

> Any anti-inflationary proposal that relies solely on balancing the budget and tightening money . . . should carry a truth-in-packaging label revealing that its probable contents are 90 percent production losses and job losses and only about 10 percent inflation saving.

To gain a 1-percentage-point reduction in the inflation rate, the Nation would pay the terrible price of about $200 billion in lost real production and roughly 5 million worker-years of jobs.

As a Senator who knows firsthand how costly and cruel recession can be for our people, I cannot endorse the economic policy reflected in this resolution.

Mr. President, my second objection to the committee's recommendation is that it reflects an inappropriate distribution of resources among competing national needs.

I disagree vehemently with the claim that this resolution is essentially a statement for fiscal restraints. It is primarily a statement of national priorities.

The resolution does not apply the discipline of fiscal restraint in a balanced way across the range of Federal activities. It would place the burden of restraint heavily on programs serving the disadvantaged and those with low incomes.

The resolution ceilings assume a sharp reduction in the CETA jobs program. The Labor-HEW appropriations conference report already cuts fiscal 1980 funding for CETA. Specifically budget authority for title VI countercyclical jobs was cut by $2.2 billion below the fiscal 1979 levels. This implies a reduction of the program from 600,000 jobs only 2 years ago to 200,000 jobs or less by the end of fiscal year 1980. The Budget Committee suggests that the Appropriations Committee should slash the program down to 100,000 jobs.

Abolishing these jobs adds costs to individuals and to other Federal programs. The Labor Department estimates that about 30 percent of the cost of each CETA job is offset by reductions in spending for unemployment insurance, welfare, food stamps, and other assistance programs. Cutting CETA is a false economy that merely runs up other budget outlays.

Last year Congress enacted major reforms that target this program on the disadvantaged—those who are most hurt by the recession. Economists estimate that a 9.5-percent unemployment rate translates into an 11-percent rate for women, an 18-percent rate for minorities, 20 percent for teenagers, and 45 percent for black teenagers. I do not believe the Nation can turn its back on the suffering of these groups.

The resolution assumes cuts in title XX social service grants to States by $200 million for fiscal 1980. In my State of Michigan, these cuts would amount to $9 million. Compensatory State spending increases to continue those services are not possible because the economic downturn is already cutting into State revenues and State law prevents the rapid generation of new taxes. Similar to many other States, Michigan is currently spending well over its required State matching for services funded through title XX.

As I noted earlier, much of the saving assumed by the Budget Committee will be illusory. In Michigan, for example, title XX funds provide services to homebound individuals not otherwise able to support themselves. Without these services, many clients would have to be transferred to nursing homes, where the Federal Government assumes 50 percent of the cost through medicaid.

Title XX funds in Michigan also provide placement services to mentally ill and mentally retarded people. A cutback in funds would create a backlog of clients who can not be placed in communities but must remain in institutions at a higher cost to the Federal and State Governments.

The resolution assumes sharp cuts in assisted housing for low- and moderate-income people. In the current year 310,000 families are expected to be brought under assistance. The HUD-independent agencies appropriation would reduce the program to add only 259,000 families in fiscal 1980. The Budget Committee suggests that Congress go back and force the program down by an additional 9,000 units.

The resolution assumes real cuts and questionable savings in welfare programs, retirement programs and numerous domestic programs.

None of that restraint has been shown when military spending has been considered.

Many of those Senators who fight hardest to cut the size of domestic programs and who profess the greatest concern about the taxpayers' dollar, have rigidly refused to admit that savings could be achieved by cutting waste in military spending.

The Budget Committee voted to add, over the fiscal 1980 to 1984 period, $13.4 billion in budget authority and $4.6 billion in outlays to the already generous amounts in the first budget resolution. The Budget Committee recommended full funding of research, development, and procurement for all major strategic weapons systems now being planned.

If the Budget Committee's recommendation were adopted, no strategic weapons system would be held back. The MX missile would be procured at the rate of one per year in fiscal 1980, 1981, 1982, and 1983, and two submarines in fiscal 1984. The committee recommendation also included the Trident I and II missiles, and air launched cruise missiles and their carriers.

But even that did not satisfy the advocates of military spending, so we now have a resolution that would increase defense spending above the committee's recommendation by $47.4 billion in budget authority and $28.5 billion in outlays over the period from fiscal year 1980 to fiscal 1984.

I believe we should press to reduce waste and mismanagement and to eliminate ineffective activities in every budget function. But this second resolution does not show a concern for governmental effectiveness. It reflects a biased policy, and I will not vote to approve such a bias.

Mr. President, budget decisions will always spark disagreement and debate. It could hardly be otherwise. The stakes are high. Different regions and different groups have conflicting interests. Our understanding of the economy is incomplete and policy decisions are controversial. Conflict over budget resolutions is certain to increase as the power of the budget process grows.

We should not expect a budget resolution to match any one Senator's priorities. Nevertheless, this resolution, at this stage of a recession, provides such a poor response to what I believe are the needs of people in my State and across the Nation that I must vote against it.

I trust that the resolution's most serious flaws will be corrected in conference with the House, and I expect that Congress will turn away from the fiscal policy of this resolution if the economic downturn continues on its present course.●

● Mr. BENTSEN. Mr. President, I commend the efforts of the Budget Committee to pursue the difficult and evasive task of balancing the budget. I am sympathetic to efforts to reduce the deficit and to balance the budget at the earliest possible moment. I believe that Congress must return to sound fiscal policies to address the perplexing and pervasive problems of the American economy.

In one of its reconciliation instruc-

tions, the Budget Committee has, however, directed the Committee on Environment and Public Works to reduce authority for expenditures by $250 million, with the clear assumption that this reduction will come from the Federal-aid highway program. I respectfully disagree with this recommendation for the following reasons:

As most of my colleagues are aware, the highway trust fund is a self-contained operation. It can expend only those revenues it receives. The trust fund cannot be in deficit; it cannot spend beyond its income.

It is also important to understand, Mr. President, that money collected by the trust fund cannot be spent for any purpose other than highways. If we have a surplus in the trust fund we cannot take that money and turn it over to HEW or the Department of Defense. If there is a surplus in the account, it remains there.

True, trust fund income is counted as revenue, and if we do not spend part of it we have theoretically decreased expenditures. But this is a cruel illusion of progress where none in fact exists; it is a budgetary shell game. Because that revenue just sits in the trust fund, serving no useful purpose, building a surplus that cannot be spent. Reducing authority for expenditures by the trust fund does not deal with the realities of balancing the budget. It is a phoney economy.

Also, Mr. President, I would like to note for the record that the highway bill passed by the Senate last year was lean. It is the bare minimum we need to do the job. Last year the House passed a highway bill that was generous to the point of irresponsibility. When we went to conference on this legislation, we held firm, and we reduced the House level by $16 billion.

We have met the requirements of fiscal responsibility in respect to the highway bill. The program is currently funded at an effective, responsible level. Reducing trust fund expenditures by $250 million, as recommended by the Budget Committee, would be a false economy with severe adverse implications for our highway program.

Mr. President, I urge the Senate conferees on this resolution to carefully review the assumptions that were made in targeting the highway program as a candidate for a budget reduction. I would say that their conclusion would be that it is an improper target. I urge them to look at the House position on this issue—a position which does not currently include a cut in the highway program—and recede to this position during the conference on the resolution.●

● Mr. LEVIN. Mr. President, our consideration of the second budget resolution has taken place within the context of competing demands. Our constituents demand—and economic reality requires—that we attempt to constrain overall spending in order to reduce the deficit and help in the fight against inflation. At the same time, our constituents demand—and our consciences require—that we recognize the unmet needs which any budget is designed to address. Our decisions over the past 3 days represent our attempt to find a way to resolve these competing demands. My vote against the second and binding budget resolution reflects my dissatisfaction with the solution being offered now for our final approval.

I believe, Mr. President, that efforts to reduce the deficit and move toward a balanced budget are desirable goals. But I do not believe that they are penultimate goals. I do not believe they supersede all other considerations. I do not believe they should blind us to the price we are asked to pay in terms of the progress we make toward achieving other priorities.

The movement toward a balanced budget needs to be carefully examined along the way. We know that if we produced a balanced budget this year we would not end inflation. We know that if we produced a balanced budget this year we would not stem the falling value of the American dollar in international money markets. We know that if we produced a balanced budget this year we would not prevent the recession we are now entering. Surely a balanced budget might help us move toward some of these goals—but in and of itself, the budget will not achieve them. A balanced budget will not allow us to enter a utopian state.

But this debate, of course, is not even about a balanced budget. It is a debate about the extent to which the budget will be unbalanced. We are asked to exercise restraint—to refuse to fund programs for which a clear need has been established and about many of which the Senate has already spoken—through the appropriation process—in order to keep the deficit under last year's total. This may have important symbolic implications, but to be honest I am not sure that we have heard any evidence which evaluates the economic impact of a $28.4 billion deficit against a $32 billion deficit. The debate on the floor has simply not focused on the economic advantages of reducing the deficit by $3.6 billion in this fiscal year. As a result, we have no real way to measure the advantages of the Budget Committee proposals.

We do, however, have a clear way of measuring the disadvantages of that proposal. They are clear in the pain expressed by members of the Agriculture when told they must somehow reduce what they have appropriated by $100 million. They are clear in the pain expressed by members of the Veterans Affairs Committee when they were told that they must somehow reduce what they have already appropriated by $100 million. Those disadvantages are also clear to me when I consider that, in the face of a recession, the Budget Committee has asked us to reduce by $300 million the CETA title VI countercyclical public service program—a program which has already been reduced by $2.2 billion in Budget Authority when compared with 1979 levels.

The Budget Committee also seeks us to accept a $2.7 billion ceiling for title XX social service grants. That ceiling is $200 million below the temporary level for 1979. The ceiling will result in further cutbacks in social services directed to children, the elderly, the handicapped, and other needy Americans. As a time when the combined effects of recession and high inflation will increase the financial distress of individuals, such program reductions cannot be justified to achieve symbolism.

While the compromise agreed to yesterday was better than the alternative, and I therefore voted for. I was and am troubled over the fact that we do not know with any specificity what programs it effects, and I remain unpersuaded that the overall expenditure levels adequately reflect the reality of the pressing needs we confront as a nation.

In the light of what I would consider to be laudable restraint, I also have a difficult time accepting the decision of the Senate to make massive increases in our spending for defense. I recognize there is need for additional efforts in the defense area. That is why I supported the modest increase proposed by Senator EXON. I think a case can be made for the larger increases supported by Senator HOLLINGS—but that case must not be considered in isolation from the social policy decisions made on the Senate floor and the economic restraint decisions made within the Budget Committee. If the appeal for increased spending on military needs is subjected to the same rigorous examination given to social needs, then one would expect that the larger increases would have been rejected. They were not.

While I might support such large increases in theory—I cannot support them when balancing them against reductions in other areas and in the context of the other decisions we have made in the past 3 days.

Mr. President, I can not support the second budget resolution because I do not think it reflected, when it came from the committee, an adequate balancing of our needs for economic restraint and our needs to make progress toward meeting serious national needs. I can not support the resolution as it has emerged from the floor debate because I do not believe it reflects a balanced response to the relative claims that social and military needs are entitled to make on our increasingly scarce resources.

Reluctantly, and with great respect for the Senators who have fashioned this resolution, I must therefore vote against it.●

The PRESIDING OFFICER. The question is on agreeing to the concurrent resolution, as amended. The yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Arizona (Mr. GOLDWATER) is necessarily absent.

I also announce that the Senator from Vermont (Mr. STAFFORD) is absent on official business.

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

The PRESIDING OFFICER. Are there other Senators who wish to vote?

The result was announced—yeas 62, nays 36, as follows:

[Rollcall Vote No. 300 Leg.]

YEAS—62

Baker	Ford	Moynihan
Baucus	Glenn	Muskie
Bayh	Gravel	Nunn
Bellmon	Hart	Packwood
Bentsen	Hayakawa	Pell
Biden	Heflin	Percy
Boren	Heinz	Pryor
Boschwitz	Hollings	Randolph
Bradley	Huddleston	Ribicoff
Burdick	Inouye	Sarbanes
Byrd, Robert C.	Jackson	Sasser
Cannon	Javits	Stennis
Chafee	Johnston	Stevens
Chiles	Kassebaum	Stewart
Church	Kennedy	Stone
Cohen	Long	Talmadge
Culver	Magnuson	Tower
Domenici	Mathias	Tsongas
Durenberger	Matsunaga	Williams
Durkin	Melcher	Young
Eagleton	Morgan	

NAYS—36

Armstrong	Helms	Riegle
Bumpers	Humphrey	Roth
Byrd,	Jepsen	Schmitt
Harry F., Jr.	Laxalt	Schweiker
Cochran	Leahy	Simpson
Cranston	Levin	Stevenson
Danforth	Lugar	Thurmond
DeConcini	McClure	Wallop
Dole	McGovern	Warner
Exon	Metzenbaum	Weicker
Garn	Nelson	Zorinsky
Hatch	Pressler	
Hatfield	Proxmire	

NOT VOTING—2

Goldwater	Stafford

So the second concurrent resolution (S. Con. Res. 36) was agreed to.

SECOND CONCURRENT BUDGET RESOLUTION FOR FISCAL YEAR 1980

Mr. ROBERT C. BYRD. Mr. President, the Senate has just voted on final passage of the second concurrent budget resolution for fiscal year 1980, I would like to offer some concluding remarks.

I would like to congratulate the distinguished chairman of the Budget Committee, Senator MUSKIE, for his effective, balanced management of the resolution. His is the difficult and frequently thankless task of pulling all of the threads of the spending and revenue process into one whole cloth. Once again, he has risen to the challenge and through his skillfull leadership has helped us shape a budget which enjoys the broad bipartisan support of the Senate.

I would also like to thank the distinguished ranking minority member, Senator BELLMON, for his hard work, for his able counsel, and his cooperation in reporting and defending a resolution which is responsible and balanced.

This resolution contains reconciliation instructions to seven committees of the Senate. Reconciliation of this dimension has never before been attempted and could not have been accomplished without the cooperation and goodwill displayed both by the chairmen and members of the affected committees and the chairman and members of the Budget Committee.

The budget process is fragile. It requires cooperation and accommodation in order to work. It requires agreement on a common goal to which differences of opinion over budgetary priorities or mechanics must be subordinated.

The ability of the committees affected by reconciliation to reach an accommodation with the Budget Committee leadership demonstrates the Senate's support of the common goal of fiscal restraint.

Mr. President, on March 26 of this year, during consideration of the public debt limit bill, the Senate took a decisive step toward balancing the Federal budget. By supporting the Long amendment, the Senate instructed the Budget Committee to report a budget that was in balance for fiscal years 1981 and 1982.

Balancing the Federal budget for fiscal year 1981 requires adoption of a tight, lean budget for fiscal year 1980. It means holding the line on spending, holding the line on tax cuts, and aggressively moving this year toward a budget which can be balanced next year. The Budget Committee has reported and ably defended such a budget.

While not losing sight of the goal of fiscal restraint, the Senate, by supporting a 3 percent increase in defense spending in fiscal year 1980 and 5-percent increase in fiscal year 1981 and fiscal year 1982, has demonstrated its determination to maintain peace through strength. In weighing our priorities we have chosen to increase defense spending. I believe it is a choice which history will record as prudent.

Mr. BAKER. Mr. President, with the passage of the second concurrent budget resolution, the U.S. Senate has signaled its willingness and determination to address the pressing needs of this country in a fiscally responsible fashion. This has not been an easy task. The effort involved the articulation of critical issues, required difficult choices and thoughtful accommodation.

I commend the persuasive and tireless leadership of Senators MUSKIE and BELLMON of the Senate Budget Committee, who have labored so diligently to insure that this body lives up to its self-imposed spending limitations—and while speaking of reconciliation, express my acclaim and gratitude, as well, to the chairman and ranking member of the Appropriations Committee, Senators MAGNUSON and YOUNG, and the Finance Committee, Senators LONG and DOLE, for their industry and ability in negotiating a means to accommodate reconciliation.

I extend my thanks to Senator BILL ROTH and Senator JACK DANFORTH, who although unsuccessful, articulated once again so well the tax cut issue in the course of this debate. I applaud the leadership effort of Senator HOLLINGS, Senator NUNN, Senator TOWER, Senator PACKWOOD, and others in focusing our attention upon recognizing and responding to the imperative defense requirements of this country.

And finally, I express my appreciation to the assistant minority leader, Senator TED STEVENS, for his thoughtful, helpful service on the ad hoc committee that considered this measure on our side of the aisle, and, of course, to the distinguished majority leader for his ever present leadership in steering this matter forward in his usual timely and orderly fashion.

Mr. President, the second concurrent budget resolution, reflecting austerity, commitment, and compassion, is a legislative effort in which the U.S. Senate can and should take pride.

Mr. MUSKIE. Mr. President, I wish to take this opportunity to express my gratitude to the distinguished Senator from Oklahoma, my ranking Member and good friend, HENRY BELLMON. His support and cooperation during the years we have worked together on the budget process have been invaluable in making it a viable, bipartisan institution. Especially during the negotiations on this second budget resolution his wise counsel has been very helpful in resolving a difficult situation.

Mr. President, I also want to thank Senator BYRD, our distinguished majority leader for his cooperation and steadfast support. As the father of the Budget Act, he knows better than anyone the importance of preserving the integrity of the budget process. With his help we were able to fashion a reasonable compromise which eventually gained the support of 90 Members of the Senate. This vote is a tribute to his responsible leadership and support of the budget process for which I am truly grateful.

Mr. President, I also wish to express my sincere appreciation to the staff of the Budget Committee and CBO for their work on the budget resolution.

We have come to expect the highest quality of work from them and they have always met, and even exceeded our expectations. I especially wish to thank the majority staff director John McEvoy and his minority counterpart, Bob Boyd, for their ability to coordinate and implement a very effective staff effort on this resolution. Our press secretary, Jim Conroy is to be commended for his extraordinary efforts in getting the message in this resolution to the public.

I also want to thank Sid Brown—whom all have come to respect as the best numbers man on Capitol Hill. Jim Capra of CBO was also an essential part of our multiyear budget effort.

Finally, I want to thank Karen Williams, our chief counsel, and her staff for their invaluable counsel and legal advice. Susan Lepper, our chief economist, and our staff group leaders, George Merrill, John Tillson, Brenda Tremper, and Porter Wheeler all performed with skill and dedication. The administrative and support staff are also to be commended for their hours of work in support of this budget resolution.

Mr. BELLMON. Mr. President, I want to take this opportunity to thank the Budget Committee staff for their fine efforts. I want particularly to thank Bob Boyd, our minority staff director, who has always attempted to ensure that Senators on our side get the information and staff support they need.

I also want to thank Bob Fulton, Gail Shelp, Carol Cox, Becky Davies, Bob Helm, Tom Sullivan, Joyce Purcell, Jill Wissler, Susan Petrick, Mark Bohseine, B. J. Samuels, and James Moore. These

people put in long hours and and a lot of hard work every time we bring a resolution to the floor.

This year, with reconciliation being implemented for the first time, their task was made even more demanding, and they responded admirably.

Finally, I want to thank John McEvoy, Sid Brown, Karen Williams, and Susan Lepper, together with all the other members of the majority staff. We have come to expect their cooperation and willingness to assist us overtime; but it is appreciated no less because we know we can expect it.

Finally, I want to thank the other members of the committee. We do not always agree; but everyone has worked hard on this resolution, and I am pleased of the outcome. We have decided for the first time, to hold the line on spending, even though it required reconciliation. Even with the increases for defense, we are still on track to a balanced budget in fiscal year 1981. I believe this is the right track and I am happy the Senate has decided to stay with it.

PANAMA CANAL ACT OF 1979—CONFERENCE REPORT

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to the consideration of the conference report on H.R. 111, which the clerk will state by title.

The assistant legislative clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 111) to enable the United States to maintain American security and interests respecting the Panama Canal, for the duration of the Panama Canal Treaty of 1977, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses this report, signed by a majority of the conferees.

The PRESIDING OFFICER. Without objection, the Senate will proceed to the consideration of the conference report.

(The conference report is printed in the House proceedings of the RECORD of September 17, 1979.)

ORDER OF BUSINESS

Mr. ROBERT C. BYRD. Mr. President, does the Chair recognize me?

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. ROBERT C. BYRD. I yield to the Senator from Mississippi (Mr. STENNIS).

Mr. STENNIS. Mr. President, this will not take but a minute, but in order that we may start conferences on the military authorization bill tomorrow, we should proceed to it. The papers are at the desk. This has been cleared by all groups, Mr. President, and I have been told that the papers on this are at the desk, it is S. 428.

DEPARTMENT OF DEFENSE AUTHORIZATIONS, 1980

Mr. STENNIS. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on S. 428.

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives:

Resolved, That the bill from the Senate (S. 428) entitled "An Act to authorize appropriations for fiscal year 1980 for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, torpedoes, and other weapons and for research, development, test, and evaluation for the Armed Forces, to prescribe the authorized personnel strength for each active duty component and the Selected Reserve of each Reserve component of the Armed Forces and for civilian personnel of the Department of Defense, to authorize the military training student loads, to authorize appropriations for civil defense, and for other purposes", do pass with the following amendments:

Strike out all after the enacting clause, and insert: That this Act may be cited as the "Department of Defense Authorization Act, Fiscal Year 1980".

TITLE I—PROCUREMENT

SEC. 101. Funds are hereby authorized to be appropriated for fiscal year 1980 for the use of the Armed Forces of the United States for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, torpedoes, and other weapons, as authorized by law, in amounts as follows:

AIRCRAFT

For aircraft: for the Army, $1,049,400,000; for the Navy and the Marine Corps, $4,670,004,000; for the Air Force, $7,816,190,000.

MISSILES

For missiles: for the Army, $944,800,000; for the Navy, $1,605,600,000; for the Marine Corps, $20,500,000; for the Air Force $2,268,800,000.

NAVAL VESSELS

For naval vessels: for the Navy, $6,790,400,000.

TRACKED COMBAT VEHICLES

For tracked combat vehicles: for the Army, $1,797,200,000; for the Marine Corps, $13,000,000.

TORPEDOES

For torpedoes and related support equipment: for the Navy, $267,200,000.

OTHER WEAPONS

For other weapons: for the Army, $196,400,000; for the Navy, $158,000,000; for the Marine Corps, $18,700,000.

RESTRICTION ON OBLIGATION OF AIRCRAFT MODIFICATION FUNDS

SEC. 102. Of the amounts authorized to be appropriated under section 101 for the procurement of aircraft—

(1) $454,700,000 of the amount authorized to be appropriated for the Army;

(2) $681,400,000 of the amount authorized to be appropriated for the Navy and the Marine Corps; and

(3) $1,495,100,000 of the amount authorized to be appropriated for the Air Force;

shall be available only for aircraft modification, and none of the sums specified in clauses (1), (2), and (3) may be obligated or expended for any other purpose.

REPORT ON B-52 MODIFICATION PROGRAM

SEC. 103. Of the amount authorized to be appropriated under section 101 for procurement of aircraft for the Air Force, $431,900,000 is authorized for the procurement of avionics and cruise missile integration for the B-52 modification program subject to the condition that the Secretary of Defense provide to the Congress at the earliest possible date, and not later than September 30, 1979, a report on—

(1) all uncertainties in the effectiveness of the B-52 as a cruise missile carrier over the next decade, including any degradation of defense penetration capabilities of the B-52 which could result from possible air defense advances by the Soviet Union; and

(2) the requirement for maintaining the defense penetration capability of the B-52 and the options available during the next decade to maintain such capability.

AUTHORIZATION OF APPROPRIATIONS FOR NORTH ATLANTIC TREATY ORGANIZATION AIRBORNE EARLY WARNING AND CONTROL SYSTEM

SEC. 104. There is authorized to be appropriated for fiscal year 1980 $250,200,000 for contribution by the United States as its share of the cost for such fiscal year of the acquisition by the North Atlantic Treaty Organization of the Airborne Early Warning and Control System, as such system is specified in the Multilateral Memorandum of Understanding Between North Atlantic Treaty Organization (NATO) Ministers of Defence on the NATO E-3A Cooperative Programme, signed by the Secretary of Defense on December 6, 1978.

CERTAIN AUTHORITY PROVIDED SECRETARY OF DEFENSE IN CONNECTION WITH THE NORTH ATLANTIC TREATY ORGANIZATION AIRBORNE EARLY WARNING AND CONTROL SYSTEM PROGRAM

SEC. 105. (a) During fiscal year 1980, the Secretary of Defense, in carrying out the Multilateral Memorandum of Understanding Between the North Atlantic Treaty Organization (NATO) Ministers of Defence on the NATO E-3A Cooperative Programme, signed by the Secretary of Defense on December 6, 1978, may—

(1) waive reimbursement for the cost of work performed by personnel other than personnel employed in the United States Air Force Airborne Warning and Control System (AWACS) program office for—

(A) auditing;
(B) quality assurance;
(C) codification;
(D) inspection;
(E) contract administration;
(F) acceptance testing;
(G) certification services; and
(H) planning, programming, and management services;

(2) waive any surcharge for administrative services otherwise chargeable; and

(3) in connection with the NATO E-3A Cooperative Programme for fiscal year 1980, assume contingent liability for—

(A) identifiable taxes, customs duties, and other charges levied within the United States on the program; and

(B) the unfunded termination liability of the United States to any contractor whose contract is terminated.

(b) Authority under this section to enter into contracts shall be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

AUTHORIZATION OF REAPPROPRIATION

SEC. 106. There is authorized to be reappropriated for fiscal year 1980 for an additional SSN-688 nuclear attack submarine $55,000,000 of unobligated funds previously appropriated for the DDG-2 destroyer modernization program.

TITLE II—RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

SEC. 201. Funds are hereby authorized to be appropriated for fiscal year 1980 for the use of the Armed Forces of the United States for research, development, test, and evaluation, as authorized by law, in amounts as follows:

For the Army, $2,772,422,000, of which $3,000,000 is authorized only for the performance and completion of a feasibility demonstration of launching Heliborne Missiles (HELLFIRE), from UH-60 helicopters.

For the Navy (including the Marine Corps), $4,569,544,000, of which (1) $180,000,000 is authorized only for the full-scale engineer-

ing development of the Marine Corps Harrier AV8-B aircraft, (2) $100,000,000 is authorized only for the continued research, development, test, and evaluation of the 3,000-ton prototype Surface Effect Ship (SES), (3) $32,000,000 is authorized only for the pilot production, shipboard installation, test, and evaluation of the MK-71 Major Caliber Lightweight Gun, (4) $30,844,000 is authorized only for joint Navy/Air Force full-scale engineering development of the Air-to-Ground Standoff Missile system which is to be available for production on or before December 31, 1984, and (5) $13,197,000 is authorized only for joint Navy/Air Force development of a common electronic self-protection system for integration into, but not limited to, the Navy F-18 and Air Force F-16 aircraft.

For the Air Force, $4,940,265,000, of which (1) $670,000,000 is authorized only for the concurrent full-scale engineering development of the missile basing mode known as the Multiple Protective Structures (MPS) system and the MX missile, as provided in section 202 of the Department of Defense Supplemental Appropriation Authorization Act, 1979 (Public Law 96-29), and (2) $30,000,000 is authorized only for the research, development, test, and evaluation required for competitive hardware demonstration of the Strategic Weapons Launcher and a derivative of a military and/or commercial medium or intermediate-sized aircraft in order to establish the utility of these aircraft as cruise missile carriers not later than September 30, 1981.

For the Defense Agencies, $1,106,618,000, of which $42,500,000 is authorized for the activities of the Director of Test and Evaluation, Defense.

REPORT ON NEW BASING MODE FOR INTERCONTINENTAL BALLISTIC MISSILES

SEC. 202. The Secretary of Defense shall submit to the Congress in writing, not later than March 1, 1980, a report evaluating in detail the ability of the basing mode for land-based intercontinental ballistic missiles known as the Multiple Protective Structure (MPS) system to survive foreseeable attempts by the Soviet Union to neutralize such system.

TITLE III—ACTIVE FORCES

SEC. 301. The Armed Forces are authorized strengths for active duty personnel as of September 30, 1980, as follows:

(1) The Army, 780,337.
(2) The Navy, 529,002.
(3) The Marine Corps, 189,000.
(4) The Air Force, 558,761.

TITLE IV—RESERVE FORCES

SEC. 401. (a) For fiscal year 1980, the Selected Reserve of the reserve components of the Armed Forces shall be programmed to attain average strengths of not less than the following:

(1) The Army National Guard of the United States, 355,700.
(2) The Army Reserve, 197,400.
(3) The Naval Reserve, 87,000.
(4) The Marine Corps Reserve, 33,600.
(5) The Air National Guard of the United States, 92,500.
(6) The Air Force Reserve, 57,300.
(7) The Coast Guard Reserve, 11,700.

(b) Within the average strengths prescribed by subsection (a), the reserve components of the Armed Forces are authorized, as of September 30, 1980, the following number of Reserves to be serving on full-time active duty for the purpose of organizing, administering, recruiting, instructing, and training the reserve components.

(1) The Army National Guard of the United States, 6,244.
(2) The Army Reserve, 4,288.
(3) The Naval Reserve, 207.
(4) The Marine Corps Reserve, 67.
(5) The Air National Guard of the United States, 1,560.
(6) The Air Force Reserve, 681.

(c) The average strength prescribed by subsection (a) for the Selected Reserve of any reserve component shall be proportionately reduced by (1) the total authorized strength of units organized to serve as units of the Selected Reserve of such component which are on active duty (other than for training) at any time during the fiscal year, and (2) the total number of individual members not in units organized to serve as units of the Selected Reserve of such component who are on active duty (other than for training or for unsatisfactory participating in training) without their consent at any time during the fiscal year. Whenever such units or such individual members are released from active duty during any fiscal year, the average strength prescribed for such fiscal year for the Selected Reserve of such reserve component shall be proportionately increased by the total authorized strength of such units and by the total number of individual members.

AMENDMENTS TO SELECTED RESERVE EDUCATIONAL ASSISTANCE PROGRAM

SEC. 402. (a) Section 2131(b)(1) of title 10, United States Code, is amended by striking out "50 percent" and inserting in lieu thereof "100 percent".

(b) Section 2133(b) of such title is amended to read as follows:

"(b)(1) A member who fails to participate satisfactorily in training with his unit, if he is a member of a unit, during a term of enlistment for which the member entered into an agreement under section 2132(a)(4) of this title shall refund an amount computed under paragraph (2) unless the failure to participate in training was due to reasons beyond the control of the member. Any refund by a member under this section shall not affect the period of obligation of such member to serve as a Reserve.

"(2) The amount of any refund under paragraph (1) shall be the amount equal to the product of—

"(A) the number of months of obligated service remaining during that term of enlistment divided by the total number of months of obligated service of that term of enlistment; and

"(B) the total amount of educational assistance provided to the member under section 2131 of this title.".

(c) The amendments made by this section shall apply only to individuals enlisting in the Reserves after September 30, 1979.

DISCRETIONARY AUTHORITY OF SECRETARY CONCERNED TO RETAIN CERTAIN RESERVE OFFICERS ON ACTIVE DUTY UNTIL AGE 60

SEC. 403. (a) Section 3855 of title 10, United States Code, is amended by inserting "Veterinary Corps," after "Dental Corps,".

(b) Section 8855 of such title is amended by inserting "veterinary officer," after "dental officer,".

TITLE V—CIVILIAN PERSONNEL

SEC. 501. (a) The Department of Defense is authorized a strength in civilian personnel, as of September 30, 1980, of 986,292.

(b) The strength for civilian personnel prescribed in subsection (a) shall be apportioned among the Department of the Army, the Department of the Navy (including the Marine Corps), the Department of the Air Force, and the agencies of the Department of Defense (other than the military departments) in such numbers as the Secretary of Defense shall prescribe. The Secretary of Defense shall report to the Congress within sixty days after the date of the enactment of this Act on the manner in which the initial allocation of civilian personnel is made among the military departments and the agencies of the Department of Defense (other than the military departments) and shall include the rationale for each allocation.

(c) In computing the strength for civilian personnel, there shall be included all direct-hire and indirect-hire civilian personnel employed to perform military functions administered by the Department of Defense (other than those performed by the National Security Agency) whether employed on a full-time, part-time, or intermittent basis, but excluding special employment categories for students and disadvantaged youth such as the stay-in-school campaign, the temporary summer aid program and the Federal junior fellowship program, and personnel participating in the worker-trainee opportunity program. Whenever a function, power, or duty, or activity is transferred or assigned to a department or agency of the Department of Defense from a department or agency outside of the Department of Defense, or from another department or agency within the Department of Defense, the civilian personnel end strength authorized for such departments or agencies of the Department of Defense affected shall be adjusted to reflect any increases or decreases in civilian personnel required as a result of such transfer or assignment.

(d) When the Secretary of Defense determines that such action is necessary in the national interest, he may authorize the employment of civilian personnel in excess of the number authorized by subsection (a), but such additional number may not exceed 1¼ percent of the total number of civilian personnel authorized for the Department of Defense by subsection (a). The Secretary of Defense shall promptly notify the Congress of any authorization to increase civilian personnel strength under the authority of this subsection.

TITLE VI—MILITARY TRAINING STUDENT LOADS

SEC. 601. (a) For fiscal year 1980, the components of the Armed Forces are authorized average military training student loads as follows:

(1) The Army, 74,468.
(2) The Navy, 61,913.
(3) The Marine Corps, 22,618.
(4) The Air Force, 43,249.
(5) The Army National Guard of the United States, 14,616.
(6) The Army Reserve, 6,328.
(7) The Naval Reserve, 906.
(8) The Marine Corps Reserve, 3,156.
(9) The Air National Guard of the United States, 1,958.
(10) The Air Force Reserve, 1,276.

TITLE VII—CIVIL DEFENSE

SEC. 701. The Federal Civil Defense Act of 1950 (50 U.S.C. App. 2251 through 2297), is amended—

(1) by adding after title IV the following new title:

"TITLE V—ENHANCED PROGRAM FOR THE 1980's

"FINDINGS AND DETERMINATIONS

"SEC. 501. (a) The Congress finds that—

"(1) a program providing for relocating the population of the larger United States cities, and other risk areas, during a period of strategic warning resulting from an international crisis can be effective and cost less than alternative programs;

"(2) the present civil defense program is inadequate;

"(3) a new civil defense program can be developed immediately which, with only a modest increase in resource allocation, can enhance the civil defense capability of the United States.

"(b) The Congress determines that a new civil defense program should be implemented—

"(1) to enhance the survivability of the American people and its leadership in the event of nuclear war and thereby to improve

the basis for eventual recovery and to reduce the vulnerability to a major attack;

"(2) to enhance deterrence and stability, to contribute to perceptions of the overall strategic balance and crisis stability, and to reduce the possibility that the United States could be coerced by an enemy in times of increased tension;

"(3) to not suggest any change in the United States policy of relying on strategic nuclear forces as the preponderant factor in maintaining deterrence; and

"(4) to include planning for population relocation during times of international crisis which are adaptable to deal with natural disasters and other peacetime emergencies.

"PROGRAM ELEMENTS

"SEC. 502. To carry out section 501, the President shall develop and implement a civil defense program which includes—

"(1) a survey of the shelter inherent in existing facilities;

"(2) nuclear civil protection planning for both inplace protection and population relocation, during times of international crises;

"(3) planning for the development of additional crisis shelter, of capabilities for shelter management, of the marking and stocking of shelters, and of ventilation kits for shelters;

"(4) the development of emergency evacuation plans in areas where nuclear powerplants are located;

"(5) the improvement of warning systems;

"(6) the improvement of systems and capabilities for the direction and control of emergency operations by civil governments at all levels, including development of a distributed survivable network of emergency operating centers;

"(7) the improvement of radiological defense capabilities;

"(8) the improvement of emergency public information and training programs and capabilities;

"(9) research and development; and

"(10) the development of such other systems and capabilities as are necessary to realize the maximum lifesaving potential of the civil defense program.

"ADMINISTRATIVE PROVISIONS

"SEC. 503. The powers contained in titles II and IV of this Act shall be used in developing and implementing section 502."; and

(2) by adding at the end of the table of contents the following:

"TITLE V—ENHANCED PROGRAM FOR THE 1980'S

"Sec. 501. Findings and determinations.
"Sec. 502. Program elements.
"Sec. 503. Administrative provisions.".

AUTHORIZATION OF APPROPRIATIONS

SEC. 702. There are authorized to be appropriated for the purpose of carrying out the provisions of the Federal Civil Defense Act of 1950, in 1979 dollars, the sums of $138,000,000 for the fiscal year ending September 30, 1980, $145,900,000 for the fiscal year ending September 30, 1981, $180,000,000 for the fiscal year ending September 30, 1982, $243,000,000 for the fiscal year ending September 30, 1983, and $283,000,000 for the fiscal year ending September 30, 1984. The sums specified in this section shall be adjusted by the inflation factor used by the Office of Management and Budget in preparing budget estimates submitted to the Congress, so that the actual sum authorized for each fiscal year shall reflect then current dollars.

ELIMINATION OF CERTAIN LIMITATIONS ON CIVIL DEFENSE APPROPRIATIONS

SEC. 703. Section 408 of the Federal Civil Defense Act of 1950 (50 U.S.C. App. 2260) is amended to read as follows:

"APPROPRIATIONS AND TRANSFER OF FUNDS

"SEC. 408. (a) No funds may be appropriated for any fiscal year for the purpose of carrying out the provisions of this Act unless such funds have been authorized for such purpose by legislation enacted after July 14, 1976.

"(b) Funds made available for the purposes of this Act may be allocated or transferred for any of the purposes of this Act, with the approval of the Director of the Office of Management and Budget, to any agency or government corporation designated to assist in carrying out this Act. Any allocation or transfer of funds under the preceding sentence shall be reported in full detail to the Congress within thirty days after such allocation or transfer.".

TITLE VIII—GENERAL PROVISIONS

WAIVER OF APPLICABILITY OF OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-76 TO CONTRACTING OUT OF CERTAIN RESEARCH AND DEVELOPMENT ACTIVITIES

SEC. 801. (a) Except as provided in subsection (b), neither the implementing instructions for, nor the provisions of, Office of Management and Budget Circular A-76 (issued on August 30, 1967, and reissued on October 18, 1976, June 13, 1977, and March 29, 1979) shall control or be used for policy guidance for the obligation or expenditure of any funds which under section 138(a)(2) of title 10, United States Code, are required to be specifically authorized by law.

(b) Funds which under section 138(a)(2) of title 10, United States Code, are required to be specifically authorized by law may be obligated or expended for operation or support of installations or equipment used for research and development (including maintenance support of laboratories, operation and maintenance of test ranges, and maintenance of test aircraft and ships) in compliance with the implementing instructions for and the provisions of such Office of Management and Budget Circular.

(c) No law enacted after the date of the enactment of this Act shall be held, considered, or construed as amending, superseding, or otherwise modifying any provision of this section unless such law does so by specifically and explicitly amending, repealing, or superseding this section.

AMENDMENTS RELATING TO THE UNIFORMED SERVICES UNIVERSITY OF THE HEALTH SCIENCES

SEC. 802. (a) Section 2112(b) of title 10, United States Code, is amended by adding at the end thereof the following new sentence: "In so prescribing the number of persons to be graduated from the University, the Secretary of Defense shall, upon recommendation of the Board of Regents, institute actions necessary to ensure the maximum number of first-year enrollments in the University consistent with the academic capacity of the University and the needs of the uniformed services for medical personnel.".

(b) Section 2114(b) of such title is amended by striking out "uniform" in the first sentence of such section and inserting in lieu thereof "uniformed".

(c)(1) The first two sentences of section 2115 of such title are amended to read as follows: "The Secretary of Defense may allow not more than 20 percent of the graduates of each class at the University to perform civilian Federal service for not less than seven years following the completion of their professional education in lieu of active duty in a uniformed service if the needs of the uniformed services do not require that such graduates perform active duty in a uniformed service and as long as the Secretary of Defense does not recall such persons to active duty in the uniformed services. Such persons who execute an agreement in writing to perform such civilian Federal service may be released from active duty following the completion of their professional education.".

(2) The section heading of such section is amended by striking out "electing" and "duty" and inserting in lieu thereof "permitted" and "service", respectively.

(3) The item related to section 2115 in the table of sections at the beginning of chapter 104 of such title is amended by striking out "electing" and "duty" and inserting in lieu thereof "permitted" and "service", respectively.

SIX-YEAR SERVICE OBLIGATION FOR PERSONS ENLISTING AFTER AGE 26

SEC. 803. (a) Section 511(d) of title 10, United States Code, is amended—

(1) by striking out "who is under 26 years of age,"; and

(2) by striking out the comma after "in an armed force".

(b) Section 651 of such title is amended by striking out "before his twenty-sixth birthday".

(c) The amendments made by this section shall apply only to individuals who become members of an armed force after the date of the enactment of this Act.

AUTHORIZED STRENGTH IN RESERVE BRIGADIER GENERALS AND MAJOR GENERALS OF THE MARINE CORPS

SEC. 804. Section 5458(a) of title 10, United States Code, is amended by adding at the end thereof the following new sentence: "An officer serving on active duty in the grade of brigadier general or major general and counted for the purposes of section 5443(a) of this title shall not be counted for the purposes of this subsection.".

RESTRICTION ON CONVERTING PERFORMANCE OF COMMERCIAL AND INDUSTRIAL TYPE FUNCTIONS FROM DEPARTMENT OF DEFENSE PERSONNEL TO PRIVATE CONTRACTORS

SEC. 805. (a) No commercial or industrial type function of the Department of Defense that on the date of the enactment of this Act is being performed by Department of Defense personnel may be converted to performance by a private contractor—

(1) to circumvent any civilian personnel ceiling; and

(2) unless the Secretary of Defense shall provide to the Congress in a timely manner—

(A) notification of any decision to study such commercial or industrial type function for possible performance by a private contractor, together with a certification that such function has been organized and staffed for the most efficient and cost effective in-house performance;

(B) upon completing the study described in subparagraph (A) and before contracting for the performance of such function by a private contractor, a report showing—

(i) the economic impact on the local community, and on individual employees affected, of contracting for performance of such function; and

(ii) the impact of contracting for performance of such function on the military mission of such function; and

(C) after a decision is made to contract for the performance of such function, a report of—

(i) the decision to convert the performance of such function to performance by a private contractor; and

(ii) the amount of the bid accepted for the performance of such function by the private contractor whose bid is accepted and the cost of performance of such function by Department of Defense personnel, together with all other costs and expenditures which the Government will incur because of the contract.

(b) No funds may be obligated or expended for a contract for performance of a commercial or industrial type function with respect to which subsection (a) is applicable until the appropriate committees of the Congress have had 30 legislative days in which to review the decision to contract for performance of such function.

AMENDMENTS RELATING TO COMPENSATION OF HEALTH PROFESSIONALS

SEC. 806. (a) Section 2121(d) of title 10, United States Code, relating to stipends for members of the Armed Forces Health Professions Scholarship program, is amended to read as follows:

"(d) Except when serving on active duty pursuant to subsection (c), a member of the program shall be entitled to a stipend at the rate in effect under paragraph (1)(B) of section 751(g) of the Public Health Service Act (42 U.S.C. 294t(g)) for students in the National Health Service Corps Scholarship program.".

(b) Section 313(a) of title 37, United States Code, relating to special pay for medical officers who execute active duty agreements, is amended—

(1) by striking out clause (4) and redesignating clauses (5) and (6) as clauses (4) and (5), respectively; and

(2) by inserting after the first sentence of such subsection the following new sentence: "However, while serving an active duty obligation resulting from a medical education program leading to appointment or designation as a medical officer, such an officer shall be paid $9,000 (rather than an amount determined under the preceding sentence) for each year of the active duty agreement.".

(c) The amendments made by this section shall take effect on October 1, 1979.

ADVANCE PAYMENT OF STATION HOUSING ALLOWANCES FOR MEMBERS OF THE UNIFORMED SERVICES ASSIGNED OVERSEAS

SEC. 807. (a) Section 405 of title 37, United States Code, relating to allowances for members on duty outside the United States or in Alaska or Hawaii, is amended by inserting after the third sentence in such section the following new sentence: "A station housing allowance prescribed under this section may be paid in advance.".

(b) The amendment made by subsection (a) shall take effect on October 1, 1979.

ANNUAL REPORT ON NORTH ATLANTIC TREATY ORGANIZATION READINESS

SEC. 808. (a) Each year the Secretary of Defense shall assess, and make findings with respect to, the readiness status of the military forces of the North Atlantic Treaty Organization and shall submit a report of such assessment and findings to the Committees on Armed Services and on Appropriations of the Senate and House of Representatives on the same date that the President transmits to the Congress the Budget. The first such report shall be submitted on the date the Budget for fiscal year 1981 is transmitted.

(b) The annual assessment by the Secretary of Defense under subsection (a) shall include the assessment and findings of the Secretary of Defense with respect to—

(1) deficiencies in the readiness of the North Atlantic Treaty Organization (including an analysis of such deficiencies in each member nation of the North Atlantic Treaty Organization) with respect to—

(A) war reserve stocks;

(B) command, control, and communications systems (including the susceptibility of such systems to degradation by potential overt activities of the Warsaw Pact);

(C) electronic warfare capabilities;

(D) offensive and defensive chemical warfare capabilities;

(E) air defense capabilities (including ground and air systems and the integration of ground systems with air systems);

(F) armor and antiarmor capabilities;

(G) firepower capabilities;

(H) forward deployed units and the proximity of such units to assigned general defensive positions;

(I) the availability of ammunition;

(J) the availability, responsiveness, and overall effectiveness of reserve forces;

(K) airlift capabilities to meet reinforcement and resupply requirements;

(L) the ability to protect, cross-service, and stage air assets from allied air fields;

(M) the maritime force capabilities (including sealift, minelaying, and minesweeping capabilities);

(N) logistical support arrangements including the availability of ports, air fields, transportation, and host nation support);

(O) training (including the availability of the facilities and equipment needed to conduct realistic operational exercises); and

(P) the compatibility of operational doctrine and procedures among armed forces of the member nations;

(2) planned corrections in the identified readiness deficiencies of the United States with respect to the North Atlantic Treaty Organization and that portion of the Budget transmitted to the Congress by the President on the date such report is transmitted which is allocated for such corrections; and

(3) commitments made by other member nations of the North Atlantic Treaty Organization to correct readiness deficiencies of such nations (including any deficiencies of such nations in the items listed in paragraph (1)) and an identification of particular improvements to be made in readiness by weapons system, program, or activity.

QUARTERLY SELECTED ACQUISITION REPORTS TO CONGRESS

SEC. 809. Section 811(a) of the Department of Defense Appropriation Authorization Act, 1976 (Public Law 94–106; 89 Stat. 539) is amended to read as follows:

"(a) Beginning with the quarter ending December 31, 1979, the Secretary of Defense shall submit to the Congress quarterly written selected acquisition reports for those major defense systems which are estimated to require a total cumulative financing for research, development, test, and evaluation in excess of $75,000,000 or a cumulative production investment in excess of $300,000,000. The report for the quarter ending December 31 of any fiscal year shall be submitted within 20 days after the President transmits the Budget to Congress for the following fiscal year, and the other three reports for any fiscal year shall be submitted within 30 days after the end of the quarter. If preliminary reports are submitted, then final reports shall be submitted to the Congress within 15 days after the submission of the preliminary reports.".

AUTHORIZATION OF APPROPRIATIONS FOR ASSISTANCE FOR 1980 OLYMPIC WINTER GAMES

SEC. 810. There is authorized to be appropriated to the Secretary of Defense for fiscal year 1980 an amount not to exceed $10,000,000 for the purpose of providing assistance for the 1980 Olympic winter games, as authorized by section 816(a) of the Department of Defense Appropriation Authorization Act, 1979 (Public Law 95–485; 92 Stat. 1626). Except for funds used for pay and nontravel related allowances of members of the Armed Forces, no funds may be obligated or expended for the purpose of carrying out such section unless specifically appropriated for such purpose. The costs for pay and nontravel related allowances of members of the Armed Forces may not be charged to appropriations made pursuant to this authorization.

LIMITATION ON THE REDUCTION OF UNITED STATES FORCE LEVELS AT THE UNITED STATES NAVAL BASE AT GUANTANAMO BAY, CUBA

SEC. 811. No funds authorized to be appropriated by this Act may be used for the purpose of reducing the personnel, support, or equipment levels at any United States naval installation or facility at Guantanamo Bay, Cuba, or reducing military functions that are primarily supported from any such installation or facility.

PRESIDENTIAL RECOMMENDATIONS FOR SELECTIVE SERVICE REFORM

SEC. 812. (a) The President shall prepare and transmit to the Congress a plan for reform of the existing law providing for registration and induction of persons for training and service in the Armed Forces. Such plan shall include recommendations with respect to—

(1) the desirability and feasibility of resuming registration under the Military Selective Service Act as in existence on the date of the enactment of this Act;

(2) the desirability and feasibility of establishing a method of automatically registering persons under the Miliary Selective Service Act through a centralized, automated system using school records and other existing records;

(3) the desirability of the enactment of authority for the President to induct persons registered under such Act for training and service in the Armed Forces during any period with respect to which the President determines that such authority is required in the interest of the national defense;

(4) whether women should be subject to registration under such Act and to induction for training and service in the Armed Forces under such Act;

(5) the desirability and feasibility of providing authority for the President to induct persons into the Individual Ready Reserve;

(6) whether persons registered under such Act should also be immediately classified and examined or whether classification and examination of registrants should be subject to the discretion of the President;

(7) such changes in the organization and operation of the Selective Service System as the President determines are necessary to enable the Selective Service System to meet the personnel requirements of the Armed Forces during a mobilization in a more efficient and expeditious manner than is presently possible;

(8) the desirability, in the interest of preserving discipline and morale in the Armed Forces, of establishing a national youth service program permitting volunteer work, for either public or private public service agencies, as an alternative to military service;

(9) such other changes in existing law relating to registration, classification, selection, and induction as the President considers appropriate; and

(10) other possible procedures that could be established to enable the Armed Forces to meet their personnel requirements.

(b) The President shall transmit with the plan required by subsection (a) proposals for such legislation as may be necessary to implement the plan and to revise and modernize the Military Selective Service Act.

(c) The plan required by subsection (a), together with the proposed legislation required by subsection (b), shall be transmitted to the Congress not later than January 15, 1980, or the end of the three-month period beginning on the date of the enactment of this Act, whichever is later.

PRESERVATION OF SELECTIVE SERVICE SYSTEM AS AN INDEPENDENT AGENCY

SEC. 813. Section 1 of the Military Selective Service Act (50 U.S.C. App. 451) is amended by adding at the end thereof the following new subsection:

"(f) The Congress further declares that the Selective Service System should remain administratively independent of any other agency, including the Department of Defense.".

STUDY OF TITAN II MISSILE SYSTEMS

SEC. 814. The Secretary of the Air Force shall conduct an investigation of Titan II missile systems located within the United States to assess the physical condition of those facilities and components thereof as

well as relevant maintenance procedures. Not later than 180 days after enactment of this Act, the findings of that investigation along with recommendations for any needed physical or procedural improvements to protect the public safety, including the safety of military personnel assigned to those systems, shall be reported to the House and Senate Committees on Armed Services and each Member of the Congress representing the States in which such systems are sited.

TECHNICAL AMENDMENTS TO TITLES 5 AND 10, UNITED STATES CODE, TO REFLECT CHANGES MADE BY THE DEPARTMENT OF DEFENSE REORGANIZATION ORDER OF MARCH 7, 1978

SEC. 815. (a) Section 136(a) of title 10, United States Code, relating to the Assistant Secretaries of Defense, is amended by striking out "nine" and inserting in lieu thereof "seven".

(b) Section 3013 of such title, relating to the Under Secretary and Assistant Secretaries of the Army, is amended by striking out "five" and inserting in lieu thereof "four".

(c) Section 5034(a) of such title, relating to the Assistant Secretaries of the Navy, is amended by striking out "four" and inserting in lieu thereof "three".

(d) Section 8013 of such title, relating to the Under Secretary and Assistant Secretaries of the Air Force, is amended by striking out "four" and inserting in lieu thereof "three".

(e)(1) Paragraphs (13), (14), (15), and (16) of section 5315 of title 5, United States Code, relating to positions at level IV of the Executive Schedule, are amended to read as follows:

"(13) Assistant Secretaries of Defense (7).

"(14) Assistant Secretaries of the Air Force (3).

"(15) Assistant Secretaries of the Army (4).

"(16) Assistant Secretaries of the Navy (3).".

(2) Paragraph (96) of section 5316 of such title, relating to positions at level V of the Executive Schedule, is amended to read as follows:

"(96) Deputy Under Secretaries of Defense for Research and Engineering, Department of Defense (4).".

CORRECTION OF ERRONEOUS SECTION DESIGNATION

SEC. 816. (a) The last section in chapter 49 of title 10, United States Code, relating to military unions (as added by Public Law 95-610; 92 Stat. 3085), is redesignated as section 976.

(b) The item relating to such section in the table of sections at the beginning of such chapter is amended by striking out "975" and inserting in lieu thereof "976".

OVERSEAS TRAVEL AND TRANSPORTATION ALLOWANCES FOR DEPENDENTS OF JUNIOR ENLISTED MEMBERS

SEC. 817. (a) Section 406(c) of title 37, United States Code, is amended by inserting after the first sentence the following new sentence: "Notwithstanding clause (2) of the preceding sentence, in prescribing conditions and limitations on allowances and transportation authorized by subsection (a) of this section for travel and transportation of dependents to or from any place outside the United States, the Secretaries concerned may not differentiate among members (or dependents of members) cn the basis of a member's grade, rank, rating, or years of service.".

(b) The amendment made by subsection (a) shall take effect on October 1, 1979.

PURCHASES OF GASOHOL AS A FUEL FOR MOTOR VEHICLES

SEC. 818. To the maximum extent feasible and consistent with overall defense needs and sound vehicle management practices, as determined by the Secretary of Defense, the Department of Defense is authorized and directed to enter into contracts by competitive bid, subject to appropriations, for the purchase of domestically produced alcohol or alcohol-gasoline blends containing at least 10 percent domestically produced alcohol for use in motor vehicles owned or operated by the Department.

EXTENSION OF PERIOD FOR CERTAIN RESERVISTS TO ELECT COVERAGE UNDER SURVIVOR BENEFIT PLAN

SEC. 819. Section 208 of the Uniformed Services Survivors' Benefits Amendments of 1978 (Public Law 95-397; 10 U.S.C. 1447 note) is amended—

(1) by striking out "the end of the nine-month period beginning cn the effectve date of this title" and inserting in lieu thereof "January 1, 1980"; and

(2) by striking out "at the end of the one-year period beginning on the effective date of this title" and inserting in lieu thereof "on March 31, 1980".

EXTENSION OF PERIOD FOR REDUCTION IN NUMBER OF SENIOR-GRADE CIVILIAN EMPLOYEES OF DEPARTMENT OF DEFENSE

SEC. 820. Paragraphs (1) and (2) of section 811(a) of the Department of Defense Appropriations Authorization Act, 1978 (10 U.S.C. 131 note), are amended to read as follows:

"(1) After October 1, 1980, the total number of commissioned officers on active duty in the Army, Air Force, and Marine Corps above the grade of colonel, and on active duty in the Navy above the grade of captain, may not exceed 1,073.

"(2) After September 30, 1981, the total number of civilian employees of the Department of Defense in grades GS-13 through GS-18 (including positions authorized under section 1581 of title 10, United States Code) may not exceed the number equal to the number of such employees employed by the Department of Defense on July 30, 1977, reduced by the same percentage as the percentage by which the total number of commissioned officers on active duty in the Army, Air Force, and Marine Corps above the grade of colonel, and on active duty in the Navy above the grade of captain, is reduced below 1,141 during the period beginning on October 1, 1977, and ending on September 30, 1980.".

Amend the title so as to read: "An Act to authorize appropriations for fiscal year 1980 for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, torpedoes, and other weapons, and for research, development, test, and evaluation for the Armed Forces, to prescribe the authorized personnel strength for each active duty component and the Selected Reserve of each Reserve component of the Armed Forces and for civilian personnel of the Department of Defense, to authorize the military training student loads, to authorize appropriations for fiscal year 1980 for civil defense, and for other purposes.".

Mr. STENNIS. Mr. President, the message having been laid before the Senate, I move that the Senate disagree to the amendments of the House, agree to the request of the House for a conference on the disagreeing votes of the two Houses, and that the Chair appoint conferees on the part of the Senate.

The motion was agreed to, and the Presiding Officer (Mr. TSONGAS) appointed Messrs. STENNIS, JACKSON, CANNON, BYRD of Virginia, NUNN, CULVER, TOWER, THURMOND, GOLDWATER, and WARNER, conferees on the part of the Senate.

PANAMA CANAL ACT OF 1979—CONFERENCE REPORT

The Senate continued with the consideration of the conference report.

Mr. ROBERT C. BYRD. Mr. President, with respect to the conference report on the implementing legislation on the Panama Canal treaties, I wonder if we can get some feel of how much time is going to be required on the conference report and whether or not we can get a time agreement on it, also as to whether or not a rollcall vote will be requested on the adoption of the conference report.

Mr. THURMOND. Mr. President, I would like to have a rollcall on the adoption of the report.

I would like to inquire from this side how many wish to speak and how long they wish to speak, so we can accommodate Senators with regard to the time agreement.

I believe Senator HUMPHREY said he wanted about 7 or 8 minutes.

Mr. HUMPHREY. Ten minutes.

Mr. ROBERT C. BYRD. How much time?

Mr. THURMOND. Ten minutes.

Who else wanted time?

Mr. DOLE. Mr. President, I will take about 5 minutes and then I have a little motion to recommit.

Mr. HELMS. I will not use it all, but I would like to have 30 minutes.

Mr. ROBERT C. BYRD. That is 45 minutes, I believe.

Mr. WARNER. Two minutes.

Mr. THURMOND. About 8 minutes.

Mr. ROBERT C. BYRD. That is 55 minutes.

Mr. THURMOND. It may not take that long.

Mr. ROBERT C. BYRD. That is an hour on that side.

An hour to the side?

Mr. STENNIS. About 3 minutes.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that time overall in respect to the Panama Canal implementing legislation conference report be limited to 2 hours to be equally divided and controlled by Mr. LEVIN and Mr. THURMOND.

Now, this does not eliminate, this does not preclude, the motion to recommit, and it does not preclude any motion to table, it does not preclude any motions to instruct. It just puts the overall cap on the time.

Mr. BAKER. Mr. President, reserving the right to object, just for clarification, I assume the majority leader does not intend to include the time for rollcalls in the 2 hours.

Mr. ROBERT C. BYRD. No. The Senator is correct.

The PRESIDING OFFICER. Is there objection?

Mr. HELMS. The Senator is taking into consideration the 30 minutes I have requested?

Mr. ROBERT C. BYRD. Yes.

Mr. HELMS. I will be assured of that?

Mr. ROBERT C. BYRD. Yes.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered

Mr. ROBERT C. BYRD. Mr. President, does the distinguished Senator from South Carolina wish to have the yeas and nays ordered now on the adoption of the conference report?

Mr. THURMOND. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there

a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. ROBERT C. BYRD. Mr. President, does the distinguished Senator from Kansas wish to ask unanimous consent that it be in order to order the yeas and nays now on the motion to recommit?

Mr. DOLE. Yes.

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

Mr. ROBERT C. BYRD. Does the Senator ask for the yeas and nays?

Mr. DOLE. Yes.

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

The yeas and nays were ordered.

Mr. ROBERT C. BYRD. Mr. President, what are the wishes of the Senators, so that we can let others know? Do they want votes, or at least one vote today?

Mr. PERCY. Mr. President, will the majority leader yield for a question?

Mr. ROBERT C. BYRD. I yield.

Mr. PERCY. The Senator from Illinois has to leave on the last plane to Chicago tonight, which is 7:20. If it is possible to fit that in the schedule, I could get there if I leave at 6:45.

Mr. THURMOND. We should be through by then.

Mr. PERCY. That would be an hour and 5 minutes.

The PRESIDING OFFICER. Who yields time?

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that I may proceed for 1 minute, without the time being charged to either side.

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

Mr. ROBERT C. BYRD. Mr. President, two rollcall votes have been ordered. I ask unanimous consent that the first rollcall vote occur at 1:15 tomorrow afternoon and that the second vote occur back to back.

The PRESIDING OFFICER. Is there objection?

Mr. HELMS. Mr. President, reserving the right to object, suppose there is another motion?

Mr. ROBERT C. BYRD. If there is another motion, I will include in the request that that vote occur back to back.

The PRESIDING OFFICER. Is there objection?

Mr. NUNN. Mr. President, reserving the right to object—and I shall not object—does the majority leader anticipate that we would have the registration debate tomorrow afternoon or Friday?

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent to proceed for an additional minute, without the time being charged to either side.

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

Mr. ROBERT C. BYRD. I had hoped that the Senate could proceed to that debate tomorrow afternoon, but the distinguished Senator from Georgia is the Senator who is going to ask for the closed session, and he will be the Senator in charge of the time on his side of the question, so I yield to him on that.

Mr. STENNIS. We have a conference tomorrow afternoon on our authorization bill. It will require that the membership be there, including the Senator from Georgia.

Mr. ROBERT C. BYRD. My problem is that I have to do some reshuffling of the Senate schedule. Once we dispose of this measure, I have to have something to come after it. If I cannot find anything, I would like to proceed with the closed session. I would like to accommodate the Senator.

Mr. STENNIS. It is a very important session. I would want to be present, and I am sure other Members would. Later in the afternoon, after we have had that conference, maybe we could have that presentation.

Mr. ROBERT C. BYRD. Mr. President, could we get the agreement on this?

Mr. NUNN. I withdraw my reservation.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, there will be no further rollcall votes today. Senators may wish to carry on the debate this evening, however, on the Panama Canal legislation, and the time would be charged.

The PRESIDING OFFICER. Who yields time?

Mr. STENNIS addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Mississippi?

Mr. STENNIS. Will the Senator yield me 5 minutes?

Mr. LEVIN. I am happy to yield to the Senator from Mississippi.

Mr. STENNIS. Mr. President, I have a prepared statement as to the merits of the conference report, but I want to take 3 or 4 minutes to point out some of the high points.

I say in confidence, after studying the matter, that we have a better bill than we passed, and I think a better bill than the House passed. A great deal of work has been done on this matter by the confereees, and I thank all of them.

One point in particular: I did not vote for the treaty. I thought it was a mistake. I believe that the Constitution of the United States clearly and unmistakably says that a treaty properly adopted by two-thirds of the Senators present and voting shall be the supreme law of the land, and we had to be guided by that mandate in the Constitution. In my opinion, this conference report does comply with that mandate of the Constitution. It is carefully drawn with that purpose in mind.

Another item was the cost to the Treasury for the operation of the canal and our connection with it for the next 20 years. It was a big item in the debate, and we gave a great deal of consideration to it.

The cost of the Treasury has been removed, except for that money that will have to be paid out for our military operations there and the things that go with that operation, such as schools, hospitals, and so forth, much of which would be incurred anyway in connection with these people as long as they are in the service. That will be covered minutely by the Senator from Michigan, who has shown a very fine capacity as well as dedication in working on a highly important and very difficult piece of legislation.

The Senator from Michigan has been with us as a Member only since January 3. He did not solicit this assignment, by any means; but once having obtained it, he has worked like a Trojan and has done a splendid job. He works like an old warhorse that has had a lot of experience, and he will manage the bill. I especially thank him, and I am sure that is shared by all the conferees.

The House membership had voted on this matter several times with respect to instructions. Conferees, by nature, do not like the idea of instructions, but the House conferees lived up to their promise and worked on this matter in a very fine spirit.

Mr. President, the conferees on the part of the House and Senate have come to a reasonable and constructive compromise on the difficult issues involved in implementing the Panama Canal Treaty of 1977.

I should note for the record that the Senator from Washington, Mr. JACKSON, who was a conferee, fully supports the conference report, though through no fault of the Senator's he was unavailable to sign the report until after it had already been filed in the House.

Senator LEVIN, who has at my request become an expert on this legislation and deserves much of the credit for the compromise before us, will outline some of the details of the conference report. I want to make only some general comments.

First, let me say that I was distressed when I heard that the House had instructed their conferees not to yield on a number of key issues before the conference committee ever met. I deplore instructions to conferees, because they are inconsistent with the spirit of mutual give and take and that is essential if we are to hammer out differences in legislation. I am happy to say that Chairman MURPHY of the House conferees and his colleagues took a very cooperative and constructive approach to the conference, however, and the instructions did not prevent a full and fair agreement. Language was found which preserved the substance of the House's position while still being satisfactory to the Senate. It does not, however, change my view that instructions to conferees are unwise and can disrupt the legislative process.

The conference compromise can be described in three parts. On the matter of the form of the Panama Canal Commission, the Senate reluctantly receded to the House and approved an appropriated agency form. I would point out that in order for this change to be successfully made by October 1 we are going to need the cooperation of all Senators. We will have to pass an authorization bill for the Commission, and we must make the necessary changes in the relevant appropriations bill to accommodate this new form. I should also note that we must also consider the President's nominees for the Commission Board prior to October 1. All of this can be accomplished, but it will take cooperation from all.

On the matter of potential violations of

the treaty that were present in the House bill, I am happy to report that the conferees were able to agree on language in each case which is satisfactory to the House but is fully consistent with both the letter and spirit of the treaties. As I said when the Senate took up this bill, avoiding provisions that are inconsistent with the treaties is important for two reasons. First, because the treaties are ratified and we must live up to our international obligations. Second, because actions by the United States that may be seen as violations of the treaties invite violations by the other side. As of October 1, 1979, the old 1903 treaty is gone, and we must rely entirely on the 1977 treaties for our rights to operate in a foreign country, Panama. Only by scrupulously living up to our own obligations can we insist that the Panamanians observe theirs over the next 20 years.

Finally, on the matter of cost, I can report that the conferees have lowered the implementing cost to be borne by the American taxpayer to the lowest possible figure consistent with our treaty obligations. Our compromise on the employment issues preserved intact the Senate position on minimum wage and the wage bases for transferred employees that will save several hundred million dollars over the life of the treaty as compared with the original House version. Under this bill the taxpayer would bear none of the costs of operating and maintaining the Panama Canal or making payments to Panama required by the treaties. In fact, this bill authorizes no taxpayer expenditures at all with some very minor exceptions. The implementing costs to be borne by the taxpayer are those associated with operating schools, hospitals, and other facilities by the Department of Defense, and, of course, for maintaining our defense presence.

Mr. President, this legislation has been very controversial from the moment it was first discussed last year during the debate over the treaties. As I have said many times, I opposed the treaties and still feel the decision to transfer the canal to Panama in 1999 was unwise. But our constitutional processes have run their course, and we must put the treaty debate behind us. This legislation enables the United States to live up to its treaty obligations and to provide for the protection and welfare of our citizens who are living and working in Panama. It is essential that it be passed and that we get on with the difficult job of transition that is ahead of us. If we were to reject this legislation, it would not only hurt our citizens in Panama, it would put into jeopardy our entire presence in Panama under the new treaties. Recent events in Cuba have demonstrated that we must continue to be on our guard against threats to peace and security in the Caribbean area. The presence of Soviet troops there, despite the questions that have been raised about their mission, make it even more important that we make this transition to the new treaty regime in Panama a smooth one. To fail to implement the treaties, and thus invite confusion in Panama and a violation of our international obligations, would only play into the hands of those who would undermine the peace and security of Panama and its neighbors.

For these reasons, Mr. President, I urge the Senate to adopt the conference report.

Mr. LEVIN. Mr. President, first of all, I thank my friend from Mississippi for the nice words and also for the support that he had given on this matter. Without his leadership the House of Representatives and the Senate could not have reached an agreement on this matter, and I am pleased to join with him in presenting to the Senate the conference report on this bill.

This report represents the end product of long and intensive work by conferees from both the House and Senate. There were many significant differences between the bills passed by both Houses, and compromises and concessions were made by both sides in order to achieve the result which is now before us.

In the early stages of the consideration of this legislation, I suggested three major objectives for this implementing legislation. First, it should in fact provide for full implementation of the treaties, and should not contain any provisions which are violative of any of the terms of the treaties. Second, it should implement the treaties at the least possible cost to the taxpayer, consistent with the obligations which we have assumed by virtue of ratifying the treaties. And finally, it should provide adequate protection for U.S. employees in Panama, and minimize the disruption which could occur during the transition to the new canal-operating regime established by the treaties. The conference report which we are offering for your consideration meets all three of these objectives.

Mr. DOLE. Mr. President, will the Senator from Michigan yield for a unanimous-consent request?

Mr. LEVIN. I am happy to yield to the Senator from Kansas.

Mr. DOLE. I will have a motion to recommit. I only have 5 minutes on that motion. I wish unanimous consent to offer the motion to recommit at 1:10 p.m. because the vote comes at 1:15 p.m.

Is there any objection to that?

Mr. LEVIN. I have no objection.

I am wondering if the majority leader, who proposed that request, would also agree to it. I have no objection. I wonder if the Senator will restate it.

Mr. DOLE. I have 5 minutes on the motion to recommit. I wish to offer that at 1:10 p.m. tomorrow because the vote on that motion is at 1:15 p.m. It will just take 5 minutes.

Mr. ROBERT C. BYRD. Mr. President, I make that unanimous-consent request.

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

Mr. DOLE. I thank the Senator.

Mr. LEVIN. Mr. President, before the Senator from Kansas leaves, I am wondering if we could modify that agreement slightly in the following regard: The Senator could proceed at 1:05 p.m. so there might be 5 minutes of rebuttal.

Mr. DOLE. All right.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order be so modified.

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

Mr. LEVIN. I thank the Senator from Kansas and the majority leader.

Let me first discuss the issue of cost. The bill which the Senate adopted reduced the cost to the U.S. Treasury for implementing the treaties by roughly $600 million from the bill initially proposed by the administration. The conference report remains very close to the Senate bill with respect to cost. First, it provides for continuation of the interest payment which the Panama Canal Company has been making to the Treasury, and which will result in a return to the U.S. Government of about $300 to $400 million over the next 20 years, in recognition of the investment which this country has made in the canal operation. The bill also provides for funding of the early retirement program for Canal Company employees from the toll base, rather than from the Treasury as the administration had proposed, which will save the taxpayers an additional $334 million over the life of the treaty.

The figures I have stated above represent cost savings from the administration-proposed bill. The conference report, like the Senate bill, also achieves substantial savings in comparison to the House bill, by not mandating continuation of U.S. minimum wage for all new employees of the Commission and of the Department of Defense in Panama for the next 20 years. While DOD has stated its intention to grandfather current employees at their current wage systems, the conference report allows the Commission, and DOD, to have the flexibility to establish a different wage system for newly hired personnel, in view of the large differential between U.S. minimum wage and local prevailing wage rates in Panama. Although it is difficult to project the course of the minimum wage 20 years into the future, it is likely that this provision will have several hundreds of millions of dollars between now and the year 2000.

The conference report does make two changes affecting certain American employees, namely those who will be transferred from the Canal Zone Government to the Department of Defense—primarily the teachers in the Canal Zone school system. The bill will permit retention of their current leave and travel system, and of the half-pay sabbatical to which they are presently entitled. These provisions add only marginally to the Treasury cost, but do preserve for current employees some of the employment conditions which they now enjoy. Like the Senate bill, the conference report leaves DOD free to gradually merge the Canal Zone teachers into their worldwide pay system.

Mr. President, this conference report pares the cost of implementation of the Panama Canal treaties to the bone, while remaining in conformity with the treaties themselves, and without defaulting on any of the obligations we have undertaken. No funds from the United

States Treasury, under this bill, will be used to make payments to Panama.

The second major objective which is met by this conference report is full compliance with the letter and spirit of the Panama Canal treaties. The Senate addressed itself very clearly to this matter during floor consideration of the bill, by considering and rejecting three amendments, patterned after provisions of the House bill, which could have placed the United States in violation of the treaties.

In the conference, the Senate position that the conference report could not contain any language violative of the treaties was maintained. On the questions of direction of the Commission by the Secretary of Defense, and control of the canal during wartime, substitute language was agreed upon which is fully consistent with the treaty.

The conferees also agreed that no new conditions beyond those contained in the treaty would be imposed upon the payments which are due or might be due Panama under the treaty.

Therefore the conference report deleted provisions from the House bill which would have prohibited any payments to Panama during any period in which Panama was imposing retroactive taxes on businesses or individuals in the former Canal Zone, or was determined to be interfering in the internal affairs of any other state. The report also contains a substitute for a House provision which called for payment of all United States costs of implementation of the treaties before Panama could receive the contingency payment promised by the treaty. The substitute language will insure that all costs of maintaining and operating the canal are paid prior to the contingency payment, which is in line with the language of the treaty.

One of the most important issues which was potentially violative of the treaties was the question of how the transfers of property to Panama, mandated by the treaty, would be effected. Underlying this issue is a longstanding dispute between the two Houses over the extent of the treatymaking power. The Senate took the position last year that the treaty power is adequate to effect transfers of U.S. property, and that the property disposition provisions in the Panama Canal Treaty in particular were self-executing; that is, that the President was authorized to make the transfers spelled out in the treaty by virtue of the Senate's advice and consent to it. Members of the House have maintained that legislation is the exclusive vehicle for property transfers, and hence that the treaty requires legislative authorization before any transfers can be made.

The conference, rather than attempting to resolve this question, reached an agreement which protects the legal positions of both Houses. The conference report states that, with respect to any property of the United States in Panama, legislation is required for its transfer, and the report then authorizes the Secretary of State to make all of the transfers required by the treaty. Additionally, the President is required to report to Congress, 180 days prior to any transfer, describing the property to be transferred, certifying the state of Panama's compliance with the treaty, and explaining the reasons for making the transfer at that particular time. This requirement, while binding upon the President, is not a condition of the transfers themselves since any new condition would be contrary to the treaty.

The Statement of Managers accompanying this conference report states the intention of the conferees that this property transfer provision not prejudice the legal positions taken by either the House or the Senate. Moreover, we have received written communications from the legal adviser of the Department of State, and the legal counsel of the Senate Foreign Relations Committee, to the effect that this compromise is consistent with the Senate's constitutional position on this issue. I ask unanimous consent that those letters be printed in the RECORD at this point.

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

THE LEGAL ADVISER,
DEPARTMENT OF STATE,
Washington, September 13, 1979.

Hon. CARL LEVIN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LEVIN: This is in response to your request for comments concerning a proposal which the Conference Committee is considering to resolve the differences between the House and Senate versions of H.R. 111 insofar as they relate to the transfer of U.S. property in the Republic of Panama.

It is our understanding that the proposal would retain the present text of Section 373 of the House bill which states: "No property of the United States in the Republic of Panama may be disposed of except pursuant to law enacted by the Congress." Section 374 of the House bill would also be retained in substance. That section provides that on the date of entry into force of the Treaty, "the Secretary of State may convey to the Republic of Panama [those properties the transfer of which is provided for by the Treaty on that date.]" Finally, Section 374 would be expanded to provide that with respect to all other property to be transferred in accordance with the terms of the Panama Canal Treaty and related agreements, "the Secretary of State may convey such property from time to time in accordance with the terms of such Treaty and agreements," and would establish certain reporting requirements in this connection.

We further understand that this legislative proposal would be accompanied by a joint statement of the House and Senate managers to the effect that it is their intention that the Conference proposal relative to the disposition of property not prejudice the positions that have been taken by the House and the Senate with respect to the necessary procedure for the disposition of property of the United States.

In our opinion, this proposal would in effect reaffirm and implement the provisions of the Panama Canal Treaty and related agreements regarding the transfer of property to Panama and therefore would be fully consistent with that Treaty as a matter of international law. With respect to the domestic legal issue concerning the Constitutional authority to dispose of property of the United States by means of the treaty-making power, we agree that adoption of this proposal by the Congress on the basis described above would not prejudice the legal position on which the Treaty is based, which was upheld by the courts in the case of *Edwards* v. *Carter* 580 F. 2d 1055, *cert. denied*, 98 Sup. Ct. 2240 (1978), namely that the self-executing property transfer provisions of the Panama Canal Treaty were constitutionally sufficient to effectuate such transfers as a matter of domestic law.

Sincerely,

HERBERT J. HANSELL.

COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C., September 13, 1979.

Hon. CARL LEVIN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LEVIN: You have asked for my opinion as to whether "the proposed compromise language on property transfers will prejudice the constitutional argument made by the Senate and sustained by the Court of Appeals for the District of Columbia last year with regard to the constitutional power to dispose of property of the United States through the treaty-making power."

The position taken by the Senate during consideration of the Panama Canal Treaty was that the Treaty itself could and did validly authorize the transfer of property to the Republic of Panama. In its report on the Treaty, the Committee on Foreign Relations concluded that the "constitutional text, the intent of the Framers, opinions of the Supreme Court, and historical precedent all suggest that the Panama Canal Treaty can validly transfer to Panama property belonging to the United States without a need for implementing legislation." Exec. Rept. No. 95-12, Feb. 3, 1978, at p. 69. The Senate rejected arguments to the contrary when, on April 3, 1978, it tabled, by a vote of 58 to 37, an amendment (No. 92) offered by Senator Hatch which would have provided that the Treaty would not enter into force "until the Congress . . . shall have disposed of, or shall have authorized the disposition of, the property belonging to United States of America . . . in the Panama Canal Zone. . . ." The position of the Senate concerning the validity of the transfer-of-property provisions in the Treaty has, moreover, been affirmed by the courts. In upholding of the dismissal of an action brought by 60 Members of the House of Representatives who sought a declaratory judgment that the Constitution requires the approval of both Houses of Congress prior to the disposal of property belonging to the United States, the Court of Appeals for the District of Columbia held that the use of a treaty to transfer the property of the United States "was clearly consonant with the Constitution." The so-called transfer-of-property clause, article IV, section 3 clause 2, "was not intended to preclude the availability of self-executing treaties as a means of disposing of United States property," the court said. *Edwards* v. *Carter*, 580, F2d 1055, cert. denied 98 S.Ct. 2240 (1978).

The proposed compromise language for H.R. 111 consists of two provisions. One, section 373, provides that "No property of the United States located in the Republic of Panama may be disposed of except pursuant to law enacted by the Congress." The second provision, section 374, authorizes all transfers, including both optional transfers during the term of the treaty as well as the final transfer to Panama in 1999.

It is my opinion that, taken together, these provisions would not prejudice the constitutional position taken by the Senate and affirmed by the Court of Appeals. Their joint effect would be to cause the property transfers now authorized by the Treaty to be authorized instead by this statute. While the wisdom of doing so may or may not raise public policy questions, I do not believe that the proposed provisions would raise a constitutional problem. The position of the Senate

and the Court of Appeals—that the Treaty validly transfers United States property interests—would in fact be vindicated by the enactment of the two provisions together. The second provision, which contains a transfer-of-property authorization identical in its effect to that contained in the Treaty, would be unnecessary if that Treaty provision remained in force. The enactment of the first provision, however, would effectively repeal the transfer-of-property provisions in the Treaty, thus necessitating the enactment of the second provision if the United States is to honor the commitment contained in the Treaty. Stated differently, to avoid the enactment of a statutory authorization while a prior authorization—namely, the one contained in the Treaty—is in effect, it is necessary to repeal the Treaty authorization. This is the effect of the first provision; its presence is dictated by the recognition that the Treaty can and does validly convey United States property interests to Panama.

Accordingly, I do not believe that the position of the Senate and the Court of Appeals will be prejudiced if these provisions are both enacted.

Sincerely,

MICHAEL GLENNON,
Legal Counsel.

Mr. LEVIN. Another major point of controversy between the House and the Senate revolved around the operating structure for the Panama Canal Commission, established by the treaty as the managing entity of the canal for the next 20 years. The Senate bill provided for the establishment of the Commission as a government corporation, the form in which the Panama Canal Company has operated since 1951. The House bill created the Commission as an appropriated funds agency, subject to all of the authorization and appropriation controls of the Congress, like any other Federal agency. There was strong and divided sentiment on this issue, even within the Armed Services Committee and the Senate.

The conferees ultimately resolved this issue in favor of the House position. While the appropriated funds agency form provides for somewhat tighter congressional control over the Commission's expenditures, the provisions in the House bill allow adequate flexibility for the Commission to respond to changed circumstances without having to come back to Congress for a supplemental appropriation every time an unprogramed increase in traffic occurs. This flexibility retains some of the advantages of the corporate form. There was no question that either operating form would be consistent with our treaty obligations.

That, Mr. President, summarizes the major aspects of this conference report. The Statement of Managers elaborates upon additional areas of controversy between the two bills and the resolutions agreed upon by the conferees. I would be happy to respond to any questions my colleagues might have about other aspects of the conference report.

We are nearing the end of a long trail and the beginning of a new one with the consideration of this conference report. The Senate spent 2 months debating the Panama Canal treaties last year, gave its advice and consent, and now has before it legislation providing for implementation. I hope that all Senators, regardless of their feelings on the treaties, will recognize that they have been ratified and will take effect 12 days from today. I believe that all of us can support this implementing legislation, because it is sound and solid. By doing so, we will enable the United States to meet its international obligations. We will keep our word, one hallmark of a great power.

This legislation does more than keep the promises we have made to Panama. It keeps the promises the treaties made to us—confirming our rights to operate the canal securely and efficiently, and to maintain our treaty-guaranteed rights, including defense rights, for the remainder of the century.

Mr. President, I note the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. LEVIN. I ask unanimous consent that the time taken by the quorum call be charged against my time.

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

Mr. THURMOND. Mr. President, I yield myself such time as may be required.

I ask unanimous consent that Mr. Edward Kenney of the Senate Armed Services Committee staff have the benefit of floor privileges during consideration of the conference report on H.R. 111.

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

Mr. THURMOND. Mr. President, as the Senate is well aware, I did not support the Panama Canal treaties. In my judgment, the agreement to transfer this property to Panama is the greatest conscious political blunder by the United States in modern times.

The treaties were approved in the Senate by the narrowest of margins. Today it is an established fact that, when the Senate voted, it lacked vital information on many aspects of this action. The cost estimates on the transfer of this property to Panama were faulty to the extent of hundreds of millions of dollars.

CONFERENCE REPORT

Mr. President, the issue now before the Senate is the implementing legislation as embodied in the Joint Conference Report of H.R. 111. Although I will not support this bill on the floor today, I was pleased that the conference report met many of my concerns and that the final decisions on H.R. 111 give Congress extensive control of the Canal during the treaty period.

The principal concession by the Senate was the acceptance of the appropriated agency form for the Panama Canal Commission. I had offered the appropriated agency approach as a committee amendment and now I am highly pleased that the conference has adopted this approach. This action by the conference means that the Commission will not be a corporate agency mainly responsive to the executive branch of Government, but, rather, an appropriated fund agency with its expenditures controlled by the Congress. This is a critical point and one obtainable only through participation in the Conference.

PROPERTY TRANSFER

Another key element in the Conference Report is the recognition that the House has a constitutional role in the transfer of property. The key point in this agreement is that all transfers involved in the Panama Canal require a statute by Congress.

Another important issue, control of the Canal in wartime, was settled by an agreement that, in the event of an attack or threat to the canal, the President could direct the Canal Administrator to comply with the directives of the U.S. military officer in charge.

COMMISSION BOARD

Also of great importance was the makeup of the Commission Board. The conference accepted a compromise which allows only two of the five U.S. Board members to be Executive Department officials. Further, the report suggests these two come from the Defense Department, the agency responsible for the canal operations. The other three members would come from the private sector, and should have experience in the backgrounds of shipping, ports operation and labor matters. All are subject to Senate confirmation.

COSTS REDUCED

Mr. President, I think the conference also was very conscious of restricting the already excessive costs of these treaties. My amendment to hold the minimum wage to an annual increase of 2 percent was accepted and could save up to $400 million over the life of the treaties.

Mr. President, I also believe this bill will prevent any payments to Panama except those provided in the clearest terms of the treaties. We attempted to remove ambiguities in hopes of saving the taxpayer every cent possible and preventing disputes in future years.

Despite these improvements, I remain opposed to this bill. It is the implementing instrument of the worst treaties ever negotiated by a U.S. President and ever approved by the U.S. Senate.

In conclusion, I do wish to commend the able Senator from Michigan (Mr. LEVIN), who was courteous throughout these deliberations and most responsive to my views and those of other dissenting members. He was most ably assisted by the General Counsel of the Armed Services Committee, Mr. John Roberts. Also, our able chairman, the senior Senator from Mississippi, provided a steady hand throughout this lengthy conference. Despite their skillful work, and the leadership provided by Mr. MURPHY and Mr. BAUMAN of the House conferees, I remain opposed to all aspects of the transfer of this vital defense facility to an unstable and pro-Communist government such as that which exists in Panama.

I predict that history will show the Senate made a great error in consenting

to the Panama Canal treaties, but I have done the best I could to protect our country in this particular bill.

Mr. President, I now yield to the distinguished Senator from North Carolina 5 minutes.

Mr. HELMS. Mr. President, a parliamentary inquiry.

The Senator from North Carolina does have 30 minutes in his own right at this hour; is that correct?

Mr. THURMOND. If he needs that much, there will be 30 minutes allotted to the Senator from North Carolina.

Mr. LEVIN. Mr. President, I ask unanimous consent that Robert Seltzer of my staff, David Hansell of my staff, and Mr. Roberts of the Armed Services Committee staff have the privilege of the floor.

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

Mr. HELMS. Mr. President, I suggest the absence of a quorum briefly on the time allotted to me. I want to confer with the distinguished Senator from South Carolina.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. THURMOND. Mr. President, I yield 2 minutes to the distinguished Senator from Virginia, and then I will yield to the distinguished Senator from North Carolina.

The PRESIDING OFFICER. The Senator from Virginia.

Mr. WARNER. I thank the Chair and I thank Senator THURMOND.

Mr. President, I was a conferee on this bill. I withheld signing on the conferees' report. As such, I feel obligated to my colleagues to justify this somewhat unusual action.

First, I compliment Senator LEVIN, Congressman MURPHY, Chairman STENNIS, Senator THURMOND, for the leadership they provided during the course of the conference. I respect Senator STENNIS' views that this treaty is the law of the land and is an obligation from the Congress to pass implementing legislation.

Nevertheless, Mr. President, there are three reasons why I withheld my signature of approval.

The first is addressed to section 108. Rather than take up the time, I ask that exhibit 1 in my remarks be referred to as the original language; exhibit 2, the language which will be found in the bill.

I ask unanimous consent to have the exhibits printed in the RECORD.

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

[EXHIBIT I]

H.R. 111 AS PASSED HOUSE

SEC. 108. CONTROL BY ARMED FORCES IN TIME OF WAR.—In time of war in which the United States or the Republic of Panama is engaged, or when, in the opinion of the President, war is imminent, such officer of the Armed Forces as the President may designate shall, upon the order of the President, assume and have exclusive authority and jurisdiction over the operation of the Panama Canal and all its adjuncts, appendants, and appurtenances. During a continuation of this condition, the Commission shall be subject to the order and direction of the officer so designated, in all respects and particulars as to—

(1) the operation of the Canal; and

(2) all duties, matters, and transactions affecting the areas and installations made available to the United States pursuant to the Panama Canal Treaty of 1977 and related agreements.

[EXHIBIT II]

DEFENSE OF THE PANAMA CANAL

SEC. 1108. In the event of an armed attack against the Panama Canal, or when, in the opinion of the President, conditions exist which threaten the security of the Canal, the Administrator of the Commission shall, upon the order of the President, comply with such directives as the United States military officer charged with the protection and defense of the Panama Canal may consider necessary in the exercise of his duties.

Mr. WARNER. Mr. President, this comparison reveals, in my judgment, a strengthening of Presidential power to protect U.S. defense interests, but the final language still falls short of the power I believe needed to fully protect U.S. defense interests.

Had I been a Member of the Senate at the time of the vote on ratification of this treaty I would have voted against ratification for this reason alone.

I thank the conferees for accepting my recommendation to strengthen the language as shown in a comparison between exhibit 1 and exhibit 2.

Mr. President, I regret, however, that further suggestions that I put forth to further strengthen the power of the President of the United States were not accepted.

The second reason is that I am concerned, as is my colleague (Mr. HUMPHREY) about the future transfers of American property.

Third, the still uncertain cost to the American taxpayer for the implementing legislation.

Mr. President, I recognize that the Congress must pass implementing legislation, but if this bill is to be adopted by the Senate it will be adopted without my support.

The PRESIDING OFFICER. Who yields time?

Mr. THURMOND. Mr. President, I yield 7 minutes to the distinguished Senator from New Hampshire (Mr. HUMPHREY).

Mr. HUMPHREY. Mr. President, I would like to begin by commending my fellow freshman Senator from Michigan (Mr. LEVIN) on his very impressive performance in what must have been a rather unpleasant task.

Even though I do not agree with a great many of the provisions nailed down at the conference, I must say it was apparent to us all that Senator LEVIN worked hard and long and his grasp of the matter was very deep.

Mr. President, like Senator WARNER, I am a conferee who finds it impossible to sign the conference report.

I am concerned about the conference language in several respects. But my first concern lies in the area of future transfers of property to the Republic of Panama.

Mr. President, I urge the defeat of the conference report on H.R. 111. As one of the seven Senate conferees on this bill, I listened with amazement as it was decided to abdicate congressional authority over the future transfers of American property in Panama.

While I am sure that my colleagues acted with the best of intentions, I cannot support the conference report which resolved a dispute between the House and the Senate by turning over to the President and the State Department all future authority respecting the transfer of U.S. property to Panama.

I could not sign the conference report. I respectfully point out that the distinguished Senator from Virginia (Mr. WARNER) also declined to sign the report. And, while the distinguished Senator from South Carolina (Mr. THURMOND) did sign the report, he reserved his right to oppose this bill on final passage.

There are several other good reasons to reject this conference report, reasons which will be voiced by others here and in the House of Representatives. I shall discuss primarily the vital issue of property transfers.

As we all know, there exists a dispute between the Senate and the House of Representatives as to how U.S. property may be transferred. The House relies on the U.S. constitutional provision which says that "the Congress," meaning both Houses of Congress acting together, "shall have power to dispose * * * the Territory or other property belonging to the United States." The Senate position has been that a self-executing treaty negotiated by the President and approved by the Senate can dispose of U.S. property.

Under the Panama Canal Treaty of 1977, about 55 percent of U.S. property in what is now the Canal Zone will be transferred to Panama on October 1, 1979. The U.S. property retained is the area and the facilities which are judged most necessary to the actual operation and safety of the canal. This retained portion amounts to about 45 percent of the current U.S. property in the Canal Zone. The treaty provides that this property which is to be retained by the United States after October 1, 1979, will, over the life of the treaty between now and the year 1999, be turned over to Panama so that in the year 2000 all such property will have been turned over to Panama.

The House version on H.R. 111 provided that "No property of the United States located in the Republic of Panama may be disposed of except pursuant to law enacted by the Congress." The Senate version of H.R. 111 contained no such provision. The Panama Canal Treaty of 1977 simply specifies, "Upon termination of this treaty, all real property and nonremovable improvements that were used by the United States of America for the purposes of this treaty and related agreements. * * *" shall be transferred to Panama. But until the termination of the treaty in 20 years, all areas and facilities actually used by the United States shall remain as U.S. property except that transfers may be made as jointly agreed to by the United States and Panama.

The 45 percent of the property to be retained by the United States as of October 1, 1979, was carefully selected in order to preserve in U.S. hands the efficient operation and adequate security of the canal. No timetable other than the 20 year treaty termination was agreed upon respecting future transfers of the remaining 45 percent of the current U.S. property. Surely the American people, who were exposed to months of soothing public assurances by the State Department and other spokesmen for the Carter administration, expect that the final, major transfer will occur 20 years from now. But there is nothing in the treaty which requires that any U.S. transfer to Panama of all our property there be deferred for the life of the treaty. If the United States and Panama were to agree to accelerate the transfer of U.S. property to Panama, that transfer could be accomplished under the treaty.

Notice of complete transfer could legally occur on October 2 or a month later or a year later.

I have no doubt that, as soon as this implementation legislation may be passed, the current regime in Panama will begin to agitate for an acceleration of the transfer to Panama of the remaining U.S. property. The question is, How will the United States respond to a renewed series of demands?

The House bill, which provided that all future transfers be passed by both Houses of the Congress, provided some good protection for U.S. interests. But the conference on this bill threw out the protection afforded in the House bill and provided that the Congress shall have no say in determining when the U.S. property retained in Panama after October 1, 1979, shall be transferred to Panama.

The conference report injected new language into the H.R. 111 implementation legislation which would provide that "the Secretary of State may convey such property from time to time in accordance with the treaty and related agreements." The language inserted by the conference would require the President merely to inform the Congress 180 days before any such transfer of U.S. property in Panama would be made. But the conference report gives neither House the right to veto any such transfer. The provision is only a cosmetic protection. In order to stop an ill-advised transfer, the Congress would have to pass new legislation repealing the authority granted the President in this pending bill. The President would almost surely want to veto such legislation. So it would require a congressional override of a veto to stop an accelerated transfer of U.S. property to Panama if the President were determined to surrender early the rest of our property rights in Panama until now deemed necessary for the safe and efficient operation of the canal.

I consider it very unwise to abdicate congressional authority for transfer of U.S. property to such an extent that it would require a two-thirds vote to override a Presidential veto in order to prevent a precipitous withdrawal of the United States from our property in Panama.

Can anyone doubt that the Panamanians will not immediately, perhaps even next month, begin to agitate for an earlier transfer of the remaining U.S. property to them.

Can anyone assure us that this administration or a future administration will not want to cave in to radical agitation designed to accelerate the exit of the United States from the canal we built?

I, for one, have no confidence in the backbone of the State Department to resist such demands.

By passing this implementation legislation with its hundreds of millions of dollars of benefits from the United States for Panama, we will not have bought respect or gratitude from Panama, or from the Sandinistas in Nicaragua, or from the Castro regime in Cuba, or from Marxist elements elsewhere in the Caribbean or elsewhere in Latin America. Contrary to the expectations of some, I believe that anti-U.S. agitation will continue to grow as long as such agitation is profitable to the agitators.

This Panama Canal Treaty of 1977 was opposed by a majority of the American people, but the President, the State Department, the major news media, and a constant flow of Government-funded propaganda managed to squeak the treaty through by a tiny margin.

Considering the narrowness of the margin of the passage of the treaty and the changes wrought in this body by the 1978 elections, I think it is fair to say that this treaty would not have been able to win approval had it been submitted during this Congress rather than the previous Congress.

This is most certainly not the time to abandon congressional oversight in this matter. We do not know to what expedients the current administration will be led. It is not safe to predict what this administration will do in the area of foreign and defense policies.

The House provision that future transfers of U.S. property to Panama must be enacted by the Congress represents much more than an attempt to retain the arguable prerogative of the House. The provision was a protection for the people of the United States. It protected Americans from missteps by the State Department and a President.

If this legislation passes in its present form, there is nothing in the law to prevent President Carter from transferring the balance of U.S. property now in the Canal Zone to the Republic of Panama before his term of office is over. The American people, though they opposed the treaty itself, at least have been given the impression that our physical withdrawal from Panama will be delayed for 20 years.

If this legislation passes, those who support it may be in for a rude shock. The voters may hold them accountable when, acting under this bill, a President cuts and runs in the face of renewed agitation from Panama. At such a time, it will be a lame answer to say to an irate constituency: "I can't do anything about it. The President was given this authority by an act of the Congress."

We have watched the President and the State Department force an anti-Communist government out of Nicaragua. We are now watching the new regime in Nicaragua, one with strong Marxist overtones, consolidate its power by setting up neighborhood spy networks on the Cuban model and by confiscating assets of the Nicaraguan people. We have even seen the new Nicaraguan regime declare its revolutionary solidarity with the Communist regime in Vietnam.

The American people need a check on the disastrous foreign and defense policies of this administration. The best check we can provide with respect to this implementation legislation is to write into the law that future property transfers to Panama require congressional action. This conference report does not provide a congressional check and should be defeated.

Mr. President, the bottom line is this: The agreement in implementation of article III of the Panama Canal Treaty contains a schedule of transfers to be made to Panama between October 1, 1979, and the year 2000. Members should note that a provision of this article says:

> Annex A of this Agreement shall be examined every 5 years or by agreement between the two Parties.

This means that this schedule holds no water at all, that a simple agreement on an accelerated transfer of property between the two parties can alter completely this schedule of transfer.

It would be no violation of the treaty, none whatever, to require that future transfers be approved by Congress. I repeat; it would be no violation whatever of the treaty.

Mr. THURMOND. Mr. President, I yield the distinguished Senator from North Carolina such time as he may require.

Mr. HELMS. Mr. President, approval of this conference report, should that approval come—and I fervently hope it will not—will be the concluding act in an unseemly drama conducted against a background of the disintegration of U.S. influence and power. Those who vote to approve this report will be voting to approve the surrender of the Panama Canal to forces hostile to this country. No other face can be put upon it.

All Senators who ever opposed the giveaway of the canal should be put on notice that that giveaway is in the process of happening now, if this conference report is approved.

The approval of this conference report is an irresponsible act. I realize that there are those who would have us believe that it would be irresponsible not to approve the canal implementing legislation; but responsibility goes much deeper than superficial appearances. We, as Members of the U.S. Senate, have a fundamental obligation to uphold our Nation, to uphold our people, and to uphold our history. The surrender of the canal is a surrender of part of our Nation, in my opinion; it is an insult to our people, and repudiation of our history.

This Senator from North Carolina has heard that some Members of this body declare that the issue was decided when the Senate approved the resolution of

ratification of the Panama Canal treaties. At the time that the resolution was approved, the polls showed that 75 percent of the American people still disapproved of the canal giveaway. The political pundits predicted that this attitude would fade. They were wrong. Instead, a number of our former colleagues—and I emphasize the word "former"—who voted for the resolution have faded away from our deliberations. There is no question that the Panama Canal issue played a significant role in the elections in 1978.

In the past year, the attitude of the American people has, if anything, strengthened. All of us know what happened on this floor yesterday with regard to defense spending. All of us know that such an expression of opinion would not have happened even a year ago. The American people have become deeply aware and deeply concerned about the position of the United States in the world today. They see that the United States appears to be growing weaker. They see that the United States is unable to influence events in Africa, in the Middle East, and in Latin America. They cry out for leadership, for strength, for courage. What they get, in large measure, is negativism, withdrawal, and defeat.

Mr. President, this morning's paper reports that the Associated Press-NBC News poll shows that Americans give President Carter a 19-percent approval rating—the lowest approval rating since the poll began asking the question 30 years ago.

But I take no partisan comfort in that. The same poll shows that Americans give Congress even less—only 13 percent give Congress a good rating.

All the political experts said that the Panama Canal meant nothing to the American people, that it did not touch deeply their lives or their pocketbooks. But the experts were wrong. The Panama Canal is a symbolic issue which has deep, intense meaning, not only in itself, but in its relation to all of our international policies.

There may be some in this broad land of ours who look upon a nation as an empty edifice, easily manipulated, changed, altered, modified to suit some narrow purpose. But the majority of our people look upon the Nation as a moral entity, to which they owe loyalty and allegiance. After all, a country is not a thing; it is a living, breathing organism. It is a collective person, with all the personality and spirit of an individual person. Allegiance is not only to the Nation, but to the idea of the Nation and the principles of the Nation, and it is an obligation which sometimes surpasses understanding.

The Panama Canal had assumed the role in the United States as a heroic achievement, part of the code of honor and obligation under which we live. There is a sense of the word "myth," which means not a false story, but a superhuman story that somehow embodies in a narrative the ideals of a people. American people come from all races and creeds, and they do not have the advantage of a common folk heritage. But the Panama Canal, the heroic task of constructing it, the efficiency and impartiality with which we ran it, contributed deeply to the unconscious self-esteem which is necessary to the leadership role of a great nation.

But even on a more conscious level, the Panama Canal represented a forward position of the United States, an expression of our influence. Practically, it meant that the United States was a powerful nation, able to control the transportation routes which were essential to its destiny and survival. There are few nations in the world which are truly independent. Almost all nations have to depend for their security and independence upon the strength of a great nation. The Panama Canal Zone became the tangible expression of the dignity and importance of our Nation. This, I think, is the perception of the American people.

There is another aspect, also; and that is the symbolism of the canal to the other nations of the Western Hemisphere. We were told over and over again that the canal had become a running sore among Latin Americans, the veritable essence of Yankee Imperialism. This was certainly not true in my experience in Latin America. The leftists of Latin America, like the leftists anywhere, are opposed to the United States not because of our policies and our attitudes toward Latin America, but because we are a Nation founded upon private enterprise and freedom. Socialists are always upset when socialism is repulsed. Moreover, human nature is a deeply flawed human nature; one can appeal to the good things in people, but one can also appeal to emotions of greed, envy, and hatred. Ill will is not stirred up by situations, but by consciously appealing to the evil in our nature.

Moreover, the Panama Canal is a symbol of strength, or it was, a symbol which meant a great deal to many countries of the Western Hemisphere.

I suggest that a weak leader is a dangerous leader. The surrender of the Panama Canal in the face of threats was perceived as a sign of weakness in every South American country I visited, and I visited countries representing at least 75 percent of the population, the geographic area, and the gross national product of that continent, and I found without exception that instead of gaining goodwill by the surrender of the Panama Canal, the United States gained only contempt, fear, and uncertainty.

You can bet your boots, Mr. President, that our enemies also quickly perceived our weakness. During the treaty debate, many of us tried to point out that Omar Torrijos, besides being a person of contemptible morals engaged in gangster-like activities such as prostitution and dope-running, was a Marxist-oriented dictator trampling upon the human rights of his own people, a leader who would soon take Panama into the pro-Marxist, anti-American orbit.

I remember, Mr. President, our beloved colleague, Senator Jim Allen was especially eloquent in this regard. Jim Allen lies dead in Gadsden, Ala., now, and I shall always believe that the stress of leading the debate on this issue shortened the life of that great American.

Senator Allen's arguments and the arguments advanced by the rest of us were hotly denied on this floor, but I submit, Mr. President, that events have proved the whole story to be correct.

At the very time that the Carter administration was plotting, and no other word can be appropriately used, was plotting the giveaway of the canal, Omar Torrijos was telling officials of our Government that he was planning to overthrow the legally elected Government of Nicaragua, as well as the legal Government of El Salvador. The truth is now known; Torrijos was working directly with Castro, as Castro's agent, to supply arms, men, and logistical support to the Sandinista guerrillas to destroy the social fabric of Nicaragua. He was smuggling guns out of Miami, with the connivance of the State Department which issued the permits, and he was shipping them to Nicaragua. More recently, at the so-called "nonalined" conference in Havana, Omar Torrijos and so-called "President" Royo, a man who was never elected in a free election, boasted about how they were going to take over the Panama Canal whatever the treaty or whatever the implementing legislation.

Shortly after the treaties were approved, the Soviets immediately began to build up their forces on Cuba. First it was the introduction of the Mig-23's—aircraft which I believe even now are fitted with a nuclear capability. Then it was the introduction of a Soviet combat brigade, and so on.

This Soviet penetration of our hemisphere has come about principally because we have lost our military rights in Panama, we have lost our sovereign rights in Panama, and we will soon exist there only at the sufferance of a Marxist dictator. The whole Caribbean is becoming a Marxist lake, with Cuba as the base and Panama as the kingpin. It is highly significant the 75 percent of our imported oil comes in through the Caribbean—oil from Venezuela, oil that is cracked and processed in the Virgin Islands, oil that is off-loaded from Alaska tankers and Middle East tankers for shipment to gulf ports. That is three barrels of oil out of every four imported—all coming in through the Caribbean. Because of our foolishness in giving up the Panama Canal, the Soviets and their allies are moving in to be in a position where they can choke off our supply.

Make no doubt about it; the giveaway of the canal is a giveaway of our strength. Our use of the canal is placed in jeopardy by the treaties themselves. Once we give up our sovereign rights, we no longer have any right to defend the canal unless Panama gives us permission. International law is clear on this point; if the host country says we must get out, then we must get out, whatever the treaties say.

I find it highly significant, therefore, that the conference report on this bill—rejecting both House and Senate versions—now provides that the President can give away what remains of the canal simply by providing 180 days notice to the Congress. Mind you, there is no veto power on this by Congress; it is simply notification. Anyone who votes for this

conference report is voting to give the President the power to give away the canal at a rate even faster than the treaty provides. If you want your voting record to show that you voted to give the President power to give away the canal, then vote yes on this report.

Mr. President, when the canal treaties were presented, we were told repeatedly that they would not cost the American taxpayers one cent. I heard the President of the United States on television saying it will not cost one dime. But since then we have discovered that in terms of actual outlays and in terms of revenues forgone by the U.S. Treasury this giveaway of the Panama Canal will cost the American taxpayers, at a minimum, $4 billion, and as a result of changes made by the conference the taxpayers will be forced to pay more than $800 million to $1 billion more than they would have paid under the House bill.

Mr. President, the bottom line is this: If anyone wants to gouge the American taxpayers, then he should vote for this conference report, because it has simply made bad matters worse.

The giveaway of the Panama Canal is an act which the American people in the vast majority regard as the height of irresponsibility and to approve the implementing legislation for an irresponsible act is double irresponsibility.

I, therefore, urge my colleagues to reject the report.

I thank the Chair and I thank the distinguished Senator from South Carolina for yielding to me.

The PRESIDING OFFICER. Who yields time?

Mr. LEVIN. Mr. President, I yield myself 3 minutes.

First of all, I acknowledge the remarks of Senator THURMOND, Senator WARNER, Senator HUMPHREY, and Senator HELMS, which were made relative to the management of the bill which we do appreciate.

Mr. President, at this time I yield back all of the remainder of my time except for 10 minutes.

Mr. THURMOND. Mr. President, I yield back all of my time except 10 minutes. The 10 minutes reserved to each side will be used tomorrow prior to the vote.

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

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

EXECUTIVE SESSION

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate go into executive session for not to exceed 5 minutes to consider the nomination designated as Calendar Order No. 342 on the Executive Calendar.

Mr. BAKER. Mr. President, reserving the right to object, and I will not object, the item identified by the majority leader has been cleared on our calendar, and we have no objection to its consideration.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will state the nomination.

THE JUDICIARY

The assistant legislative clerk read the nomination of Matthew J. Perry, Jr., of South Carolina, to be a U.S. district judge for the district of South Carolina.

Mr. HOLLINGS. Mr. President, it is a pleasure to move the confirmation of the nomination of the Honorable Matthew J. Perry, Jr., judge of the U.S. Court of Military Appeals, who has been nominated by President Carter to serve on one of the newly created seats for the District Court in South Carolina. After considering this nomination, I am confident that this body will agree that he is exceptionally well qualified to serve on the District Court.

On November 8, 1978, the President issued an Executive order setting the standards for the merit selection of the newly created district judgeships. In compliance with his wishes, I established a Merit Selection Committee on December 13, 1978, to review the qualifications of the individuals who wished to be considered for the positions. The committee represented an accurate cross section of the people of South Carolina and included two incumbent district judges, three attorneys (including the president-elect of the bar), two college presidents, two blacks, two women, Democrats, Republicans, a balanced geographical representation, and a variety of political persuasions. As I believe is evident from the caliber of individuals they recommended to me, they did an outstanding job. I wish to thank Federal District Judge Robert Hemphill, chairman of the committee, Ross Anderson, Mrs. Philip H. Arrowsmith, Judge Sol Blatt, Jr., Mrs. Charles Gibbs, George Dean Johnson, Dr. Joab Lesesne, Dr. Maceo Nance, Dr. I. D. Newman, and Morris Rosen for their participation on this committee. They can take pleasure in knowing that their recommendations are worthy of the time, effort, and attention they devoted to select them.

After the formation of the committee, I referred to them all of the letters, petitions, and memoranda of telephone conversations which were submitted by or for the individuals interested in one of the judgeship positions. In addition, the chairman contacted the South Carolina Bar, the Trial Lawyers Association, other legal associations and publications, and the news media seeking other names for the committee's consideration. A total of 62 names were submitted to the committee and each individual was sent the questionnaire for prospective nominees for the U.S. circuit judgeship so that the committee would have a uniform standard of comparison for use in this screening process. After several weeks of study, consideration, and review, the committee provided me with the names of the 11 people whom they concluded to be best qualified for the judgeship. From these recommendations, I selected three men to refer to the President, Judge Perry, Falcon B. Hawkins of Charleston, and C. Weston Houck of Florence. I hope you will agree they are eminently qualified and exceptionaly well prepared to serve on the bench and that you will confirm Judge Perry today.

Judge Matthew J. Perry, Jr., was born on August 3, 1921, in Columbia, S.C. He is a graduate of South Carolina State College where he received his bachelor of science degree in 1948. In 1951, he was awarded his bachelor of law degree from State College, where he was an outstanding student, and began practicing law after his admission to the bar.

The President's Executive order contains a provision that any and all nominees for the district court have experience in the Federal judiciary. That provision was written for Matt Perry, because he grew up in the Federal courts. He has now practiced in the Federal courts for 28 years and has performed in an outstanding fashion. He handled many of the significant civil rights cases in South Carolina and has been an integral part of the mature leadership in the State that achieved the peaceful desegregation of the schools and public places. It was Judge Perry who argued and won the case which led to the desegregation of Clemson College in 1963. The Clemson case ended segregation in institutions of higher learning in this country. It was Judge Perry who represented men and women in both small and significant cases. He had the interest of us all in his heart and mind, and it is fitting that he be honored by being confirmed as one of the first black Federal judges in the Deep South since the Reconstruction.

Matthew Perry has already been honored by being confirmed by this body to serve on the U.S. Court of Military Appeals. If confirmed today, he will serve as an inspiration for us all—for young blacks who will see that blacks with integrity and intelligence will make it in the South, for the poor, because they will see that hard work and dedication will be rewarded, and for us all because he will display compassion, fairness, and competence in the performance of his duties.

Mr. THURMOND. Mr. President, I join in approving the confirmation of this nomination.

Matthew J. Perry, Jr., was born in 1921 in Columbia, Richland County, S.C. He graduated with a B.S. in business administration from South Carolina State College, and LL.B. degree from South Carolina State College. He served in the Army for 3 years. He started out in private practice in Spartanburg, and then he moved to Columbia to practice law. He was an adjunct teacher of law at the University of South Carolina from 1973 to 1975. Upon my recommendation he was appointed in 1976 to the U.S. Court of Military Appeals in Washington, D.C.

Incidentally, Judge Perry was chosen as South Carolinian of the Year in 1976 by the Cosmos Broadcasting Co. He has an honorary doctor of humanities degree from Francis Marion College in 1977; an honorary doctor of humanities degree from Lander College in 1979; and he received a Distinguished Native Son Award by the South Carolina Conference of Branches, NAACP.

Mr. President, Judge Perry is an able lawyer and a man of high character. He has a splendid reputation, and I wholeheartedly endorse him and shall support him.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

Mr. HOLLINGS. Mr. President, I move to reconsider the vote by which the nomination was confirmed.

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

The motion to lay on the table was agreed to.

Mr. HOLLINGS. Mr. President, I move that the President be notified of the confirmation of the nomination.

The motion was agreed to.

Mr. THURMOND. And I ask that Judge Perry be notified.

Mr. HOLLINGS. I thank the majority leader for his cooperation and help.

Mr. THURMOND. I thank the majority leader, too.

Mr. ROBERT C. BYRD. The Senators are welcome.

LEGISLATIVE SESSION

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate resume the consideration of legislative business.

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

ROUTINE MORNING BUSINESS

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that there now be a brief period for the consideration of routine morning business of not to exceed 12 minutes, with Senators permitted to speak therein up to 3 minutes each.

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

IRS PRACTICES AND POLICIES

Mr. MELCHER. Mr. President, we all regularly get appeals from constituents for help in dealing with the "tax collector." I began to suspect some time ago that these were more than isolated cases, and there are some serious problems developing in the day-to-day practices of the IRS.

Now the editors of the Practical Accountant have published the results of a survey taken among several dozen prominent tax accountants which also points to several serious problems in IRS practices and policies. I would hope that Commissioner Kurtz would take a close look at the results of this survey and see what can be done to alleviate these concerns. I also want to share this good article with my colleagues and I ask unanimous consent that it be printed in the RECORD at this point.

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

In their day-to-day dealings with the IRS, accountants frequently encounter troublesome situations. The Practical Accountant, in an effort to spotlight some of the problem areas, surveyed several dozen prominent tax practitioners (including some of the members of our Editorial Board). We asked them to tell us about the major problems they, or their firms, face in dealing with the IRS and to cite specific examples, where appropriate, of their difficulties.

Before getting into the results of our survey, however, some comments are in order so that the survey will be viewed from the proper perspective. As we all know, the IRS is, of necessity, a huge bureaucracy composed of a very large number of people, about 14,000 of whom are in the examination function. Some of these people are more capable than others and some have better dispositions than others. Most of them are people trying to do a difficult job. They don't always do this job well and they don't always get along with practitioners (which is, of course, often the fault of the practitioner). Yet, many observers feel that the good generally outweighs the bad. Moreover, many problems with the IRS stem not from people, but from the IRS's computer system, the size and complexity of which staggers the imagination.

Nonetheless, it is only by airing these problems, whether real or fancied, that they can be resolved. (This, of course, is the function of the many IRS liaison committees of the various accounting organizations.) With this goal in mind, we present what our respondents told us, broken down into the following three areas: (1) handling tax audits, (2) dealing with IRS offices, and (3) requesting extensions.

HANDLING TAX AUDITS

The most serious practitioner complaints about the IRS were, as might be expected, related to tax audits.

JUDGMENT

Many practitioners were critical of the judgment of Revenue Agents who raised trivial or frivolous issues. Here are some of the comments:

"I guess my major complaint against the IRS is that it has poorly trained Agents. Often, where Revenue Agents spend an inordinate amount of time on an audit and turn up nothing of substance, they develop far-out screwball issues to try to justify their time on the case."

"Many Agents seem to raise every conceivable issue without exercising discretion regarding the merits of the issue. They seem to be insensitive to the time being spent in debating frivolous issues which are ultimately dropped."

"The raising of weak arguments by IRS Agents is causing taxpayers to incur large amounts of time and expense in pursuing administrative appeals or in litigation."

"Revenue Agents appear to be straining for deficiencies. They routinely propose adjustments without merit, apparently in the hope that the taxpayer will compromise at a higher administrative level to save time and expense. Many taxpayers are openly questioning the fairness of the IRS' audit activities. The IRS auditors seem less willing to apply reason and more willing to act arbitrarily."

"Agents appear to be more interested in obtaining additional taxes than in administering the tax laws. This attitude results in discussions with Agents being fruitless, since they are not really interested in the possible merits of the practitioners' interpretation of the tax law."

Another common complaint was about the reluctance of Agents to make decisions. Here are some of the comments in this regard:

"Many Agents, despite their training, find it difficult to come to grips with the issues involved. They will spend a great deal of time with the procedural aspects of the audit, and then find it difficult to come to substantive decisions. As a result, many cases that should be resolved at the Field Agent level end up in Appellate."

"Agents are not interested in making final decisions. They would prefer that we take the problem to the next level. We have had to endure repeated visits by Agents because they don't act on thir own; they must constantly confer with their supervisors. As a result, some practitioners ask for an assessment immediately, without any discussion at all and then go to Appellate for a hearing."

"It seems as though many Revenue Agents have little or no decision-making ability. This often necessitates several meetings with both the Agent and his supervisor before a conclusion is reached. The result is increased accounting and legal fees being incurred by taxpayers under audit."

One practice that many accountants found particularly frustrating is the raising by Agents of new issues which are not based on any new factual findings. This seems to occur after a second or third visit. Practitioners encountering this practice contend that a well-trained Agent should be able to raise all of the pertinent issues at the first sitting and that raising new issues on a subsequent visit merely causes unnecessary delay.

CURRENT AUDITING PROCEDURES

The most common complaint practitioners have about IRS audit procedures has to do with the current crusade against T & E deductions. Said one practitioner:

"Agents have become 'penny wise and pound foolish' in the examination of travel, entertainment, and automobile expenses. These expenditures are being reviewed in great detail, and minor adjustments then proposed. This is a waste of time and money for both the taxpayer and the IRS."

Another accountant made a comment in a similar vein:

"Revenue Agents examining smaller corporations seem to be going primarily after the T & E and commuting type of expense. They seem to spend a lot of time in these areas, looking for minor adjustments, rather than examining those returns that would appear to produce more revenue."

Many practitioners commented on the IRS' effort to toughen up enforcement of the T & E rules, especially as they relate to officers and shareholders. One accountant commented:

"Agents seem to be getting tougher in requiring support for travel and entertainment expenses, especially automobile expenses. They now want the specific mileage used for personal purposes versus the mileage used for business purposes. In a number of cases, they have requested proof of ownership and proof of depreciable basis, and are raising similar questions which heretofore had not been raised."

Another complaint was about the "wooden approach" which many Agents take in accumulated earnings cases. Said one practitioner:

"A corporation may clearly not be subject to the penalty tax, perhaps by reason of having met the *Bardahl* formula, but quite often Agents will not relent on this issue. Rather, they will seek far-fetched theories to support a penalty tax assessment. In one situation, a corporation had redeemed all of the stock of its major shareholder by means of a debt obligation payable out of earnings. In an examination of the return for the year of redemption, the Section 531 issue was raised and later resolved in Appellate in favor of the taxpayer. Moreover, Appellate also held that the debt obligation constituted a true debt and that the interest thereon was deductible by the corporation. The major portion of the debt was extinguished in the seventh year following the year of the redemption. Yet, a Revenue Agent examining that later year (i.e., the one in which the debt was largely extinguished) again raised the issue of Section 531—*an utterly ridiculous situation.*"

Still another complaint was about the tendency of Examining Agents to substitute the

findings and recommendations of Specialist Agents (such as Engineering and International Operations Agents) for their own judgment. Although the findings of a Specialist Agent are often arbitrary, the Examining Agent's position will "freeze" and he will close his mind to any attempts by the practitioner to convince him to the contrary.

Another grievance concerns the IRS' taking inconsistent positions to protect the revenue. For example, the IRS will deny a disputed dependency exemption to *both* the husband and the wife. While practitioners recognize that the IRS does this to avoid being "whipsawed" (i.e., agreeing with the position of one party and then losing to the other party in court), the Service should nonetheless decide which of the two adverse parties is right and do justice to that party.

Although, on the whole, IRS personnel honor powers of attorney, some practitioners have reported occasional instances of an IRS employee contacting a taxpayer *directly*, instead of through the representative whose power of attorney is on file. In such situations, especially in collection matters, the IRS employee, in the absence of the representative, sometimes "comes on very strong." (One practitioner reported some isolated instances of Agents suggesting to taxpayers that professional help was really not necessary.) In sensitive cases (e.g., a fraud or criminal case), the failure to honor a power of attorney can be extremely serious.

TIME-WASTING POLICIES

Certain audit policies and procedures were criticized as resulting in a waste of time and money. Here are some specifics:

An Agent is no longer allowed to close a collateral examination by using a copy of the return supplied by the representative. Instead, he must wait until he receives the *original* filed return.

Where there is an agreed deficiency for one year and an agreed overpayment for another year, there is no procedure for offsetting one against the other. The deficiency is assessed in full, and pressure put on the taxpayer for payment, while the overpayment slowly winds its way through the refund procedure. This often results in the taxpayer having to plead futilely with a Collection Officer (who is not concerned with the problem) and then having to go over his head in an effort to resolve the situation.

Note: A way to avoid this problem where dual-examinations are invoked is to ask the Field Agent to process the case so that the two years "offset" each other.

The IRS' policy of insisting that audits take place at the taxpayer's premises is expensive for taxpayers. There would be a considerable saving in accountants fees if an audit were conducted at the practitioners office instead. (Under the present policy, reasons usually have to be concocted to get a change of location to the accountant's office.)

THE REVIEW FUNCTION

The IRS' review procedure also received its share of brickbats. Two major complaints were about the long delays in the review procedure and the frequent overturning of agreed-to adjustments on review. Moreover, some practitioners sense a reluctance by review personnel to reverse an Agent's findings. Some comments:

"Revenue Agents' reports are often accepted by Review notwithstanding adjustments that are obviously incorrect. Although the review staff is quick to raise new issues, they rarely question those issues raised by an Agent. As a result, needless time is spent, and needless expense incurred, in taking the case to the Appellate level when the issues could have been corrected by Review."

"We have recently experienced cases in which Agents have taken positions clearly not in accord with the law, and found that neither their immediate supervisors nor the review staff was willing to reverse these positions. We wonder whether the authority of the review staff has been curtailed so that they no longer protect the taxpayer, but only defend the Government's interest, and whether the level of competence has declined to the point that even the review staff does not understand many provisions of the law."

SHORTCOMINGS IN COORDINATED AUDITS

A tax partner in a Big 8 firm voiced a number of criticisms about the IRS' Coordinated Audit Program (used to audit large multi-office companies). Incidentally, some of these criticisms were similar to those raised in audits of smaller companies. Among these criticisms were:

1/ *Lack of planning and control.* There is a lack of coordination among IRS districts and between Specialist Agents and Examining Agents. For instance, multiple requests are often made for the same information.

2/ *Unnecessary data requests.* The information requested from the taxpayer is often not necessary for a determination of its liability but seems to be requested merely to "fatten the case file."

3/ *Inconsistencies.* Often, an Agent will disallow a deduction in one year because it should have been taken in the following year while another Agent examining that following year will disallow the same item on other grounds.

4/ *Inadequate Specialist Agents.* Specialist Agents at times are not qualified in their field of specialization and they are not coordinated into the overall examination. It seems that they determine their adjustments in advance, without regard to the particular facts of the taxpayer's situation.

5/ *Lack of candor.* There are instances where Agents have contacted company personnel and third parties without the knowledge of the company's tax manager. It also seems that many Agents are raising nonsubstantive issues to use as tradeoffs at a later time.

6. *Other shortcomings.* Other complaints include the tendency of case managers to pass the buck to Appellate instead of accepting responsibility for the resolution of issues, not identifying issues until the end of the audit, refusing to accept prior Appellate decisions, and proposing adjustments that have no precedent. In addition, reviewers overturn agreed cases more often than they should.

DEALING WITH IRS OFFICES

Communications with the IRS, often difficult in the past, has now been further complicated by the new laws restricting the disclosure of tax return information. In addition, practitioners are still having problems in getting telephone information from District Offices and in understanding computer-generated notices.

NEW DISCLOSURE RULES

The Freedom of Information Act and the Tax Reform Act of 1976 require a power of attorney from a taxpayer's representative before he can communicate with the IRS on the taxpayer's behalf. This has created many problems. Often, an Agent will not even talk with a practitioner about a minor item, such as changing the date of an examination, until the practitioner submits a power of attorney. Moreover, even where a power of attorney is on file, an Agent will usually not discuss a tax matter over the phone since he cannot quickly ascertain that the power is on file. Further, even if the Agent *knows* that power is on file, he is sometimes reluctant to discuss the client's affairs because he is not certain that the telephone caller is the person named in the power of attorney.

This caution, in light of the new climate, is understandable, but it means that many problems that could be resolved with a brief telephone call turn into unnecessarily long, drawnout affairs.

DISTRICT OFFICES

A number of practitioners cited the age-old problem of either receiving inconsistent responses or not getting called back (despite a promise to do so) when making telephone inquiries of a District Office. They feel that it is extremely difficult to get a reliable answer from the IRS to a telephone inquiry.

This is especially true in the pension area. A telephone call to a local IRS office for clarification, regarding both administrative and legislative interpretations, rarely results in a satisfactory response. Just getting through to someone in the pension section can take several hours, if not days. And when a practitioner does get through, it often turns out that the person answering the phone is not adequately trained to respond to even the simplest of inquiries.

COMPUTER NOTICES

Although computer problems have been substantially ameliorated in the past few years, several problems continue to frustrate accountants. Among them:

The lack of person-to-person contact. The inability to contact human beings who can respond to inquiries, initiate changes where appropriate, and correct obvious errors, results in the loss of valuable time both to practitioners and to the IRS, increases the cost of tax services to clients, and weakens confidence in the administration of the tax laws.

Incorrect adjustments. There have been numerous instances of "automatic adjustments" being proposed by the IRS computer system merely because the return presented an unusual situation which the computer interpreted as an error. Such programming errors have generally been corrected, but not before causing great expense and inconvenience to taxpayers. Much time is wasted explaining to Service Centers that a return labelled as delinquent is not.

Lack of information. Computer-generated assessment notices providing for penalties and interest are difficult to understand. Additional information would substantially reduce much costly and time-consuming correspondence. These notices should be expanded to include the computation and the period of time over which the penalties and interest are being assessed. Similarly, data relating to payments and credits seem never to catch up with the Collection Division's activities. (While there is probably no remedy for this, the Service should be careful to avoid taking such actions as serving levies on taxpayers until there has been some kind of personal contact. This would at least avoid the embarrassment and frustration which results from an improper levy.) Finally, the difference between a refund claimed and a refund approved is seldom spelled out clearly in a computer notice.

One practitioner reported that, on several occasions, he experienced the following computer goof: He filed a Form 1040-X on which a refund was requested. Instead of a refund, however, the client received a *bill* for the amount of the requested refund plus interest, all of which was to be paid within ten days. Calls to the IRS failed to stop a second payment request as much as 30 days later. After several phone calls and a letter, the clients finally received their refunds.

REQUESTING EXTENSIONS

The recurring problem of extension requests, particularly *second* requests, and the handling of reasonable-cause arguments against penalty assessments were of major concern to practitioners.

EXTENSION REQUESTS

Practitioners have generally been turned down when requesting an extension for a fiduciary return. Many of them feel that the IRS should provide for automatic exten-

sions for fiduciary (and partnership) returns as it does for corporate and individual returns. One practitioner, whose Form 1041 extension request was denied, noted:

"We filed an extension application (Form 2758) for a fiduciary income tax return on which we estimated the tax due as $10,000. We had the client pay $5,500 with the application (the form requests that a minimum of 25 percent of the estimated tax be paid with the application). The IRS denied the request (sending the denial form to the client although it was supposed to have come to us). The denial stated that the extension was denied because of the failure to pay the 25 percent of estimated tax due with the application. (It also stated that the return must be filed within ten days.) We wrote the IRS pointing out that we had followed all instructions exactly and that the extension must have been denied in error. Although the extension was then granted, we had already filed the return."

The Service often denies a second extension request when only perfunctory reasons are given or where the explanation is brief. (Many practitioners conclude that success here is based on wordiness.) Even where a giant corporation is involved, brevity usually results in failure. The practitioner then must appeal the rejection and provide additional reasons—which normally results in success. This turns out to be a costly exercise for the client as well as a source of frustration for the practitioner.

Equally annoying to many accountants is the inconsistent treatment afforded such request. Sometimes second requests are denied even though the taxes estimated to be due have already been paid in the form of withholding tax or estimated tax payments. The consensus of opinion here is that the IRS would save considerable amounts of administrative time and energy if it rejected second requests in *rare* circumstances.

REASONABLE CAUSE

A final problem in this area relates to the tendency of IRS employees not to accept reasonable-cause arguments against the imposition of penalties. Even where a reasonable-cause statement is included with the tax return, penalty notices seem to be mailed out automatically. This necessitates additional correspondence and increases costs for clients.

While the above list of problems is by no means complete, it represents the most common areas of dissatisfaction.

THE MILITARY VETERINARY CORPS

Mr. MELCHER. Mr. President, last year during the consideration of the conference report on the Defense Appropriations Act, I rose to question Pentagon efforts to summarily scrap our military Veterinary Corps, and to urge further study on the mission of the corps. I did so because I had not seen adequate justification on the part of the Pentagon for moving to phase out the armed service Veterinary Corps.

Again this year, predicated solely on the finding of the so-called Maxiums report, which the Surgeon General of the U.S. Air Force seriously criticizes, the Department of Defense is calling for an end to the Veterinary Corps. I believed last year, and still do today, that these moves are based on false economy and a poor understanding of the modern military veterinarian. A Washington Post editorial on July 21 entitled "Freebies Scrutinized—Military Veterinarian Corps Reduction Studied" further indicates the lack of understanding of the mission of our military Veterinary Corps. I intend to continue to urge the Defense Appropriations Subcommitte to conduct hearings on the need for our Veterinary Corps before taking any action to reduce the corps.

In a recent letter to the Post, Lt. Gen. Paul W. Myers, Surgeon General of the Air Force, sheds some long overdue light on the issue by carefully explaining the mission of the modern military Veterinary Corps. As a veterinarian myself, I commend General Myers on his good letter, which I now ask unanimous consent to have printed in the RECORD, and I urge its careful reading by my colleagues.

There being on objection, the letter was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF THE AIR FORCE,
HEADQUARTERS U.S. AIR FORCE,
BOLLING AFB,
Washington, D.C., August 13, 1979.

EDITOR, WASHINGTON POST,
Washington, D.C.

DEAR SIR: Rarely have I seen a more distorted and misleading "news" story than the one in the July 21 issue of the Post entitled "Freebies Scrutinized—Military Veterinarian Corps Reduction Studied."

I would hope this was not deliberate but members of my staff called the reporter several times in an attempt to present the true facts. The calls were not returned. Further, neither I nor the Chief of the Air Force Veterinary Corps was contacted by the reporter for any information prior to the appearance of the story in print.

For the record, I believe the taxpayers (which includes the members in the military services and the Members of Congress) are owed an accurate explanation of the role of the veterinarian in today's military.

Currently the Air Force has 286 veterinarians. Seventy-two of these are assigned to research and development (R&D) projects concerning missile fuel oncogenic studies, environmental toxicology, aircrew restraint and ejection systems, radiation bioeffects, acceleration effects, infectious diseases, and combat trauma investigation. Of the Air Force veterinarians in R&D, 36 support the Air Force, 22 the Navy, and 14 the Department of Defense (Armed Forces Radiobiology Research Institute and Armed Forces Institute of Pathology).

The issue of the Veterinary Corps is of special concern to the Air Force because of the vital role played by veterinary scientists in key aerospace biotechnology research and development projects that supports our weapon systems development and acquisition. One major example is the critical importance of our studies to establish a viable safe worker standard for hydrazine and its impact on the total F-16 program. Without our veterinarians, these long term studies could not have been performed.

If the Veterinary Corps is abolished, our major R&D efforts in the areas of toxicology, performance in radiation environments, biomechanics, and acceleration performance/pathophysiology would have to be sharply curtailed and the damage to our country's readiness posture would be incalculable.

Excluding those veterinarians involved in the R&D efforts, the Air Force has 1 veterinarian for every 20,223 beneficiaries. We have Air Force bases located in various parts of the world, often in remote areas, without the benefit of civilian public health or preventive medicine.

The statement attributed to Congressman Aspin, "The Department of Defense is probably the only organization in the world which provides pet care as a fringe benefit to its employees." is a verbatim quote contained in his press release dated August 22, 1975. If he recently made the statement again publicly, we are unaware of it.

Veterinary medical service for privately owned animals of military families is not free. Fees charged should generate sufficient incidental income to cover the normal cost of operations on an annual basis. Animal diseases can be and are transmitted to humans. Immunizations, examinations, and treatment when needed, are the most cost effective means of preventing these diseases from occurring in humans. With rare exceptions, the only immunization required in the civilian community is against rabies. Military populations are transient, live in close knit communities and are therefore potentially exposed to varying animal disease entities both in the United States and in overseas areas. Health care for military personnel is a service responsibility and not that of the civilian community.

As an example of the workload involved, last year the Air Force operated plague control programs at 26 bases, diagnosed 39,000 cases of zoonotic diseases in animals and identified 534 humans with zoonotic disease; investigated 6,388 animal bites on base and 10,800 off-base; quarantined 14,883 animals, of which 33 were positive for rabies. Over 75 percent of the people who use the veterinary clinic are enlisted members. But as frequently seems to be the case, when the facts don't bear out the allegations, the old shopworn and tired cliche of taking care of "the generals' pets", or the "general's wife" are variations thereof are thrown out for public consumption.

The overseas mission of the veterinary service is multifaceted and includes: (1) inspection of foods from all sources and for all military food buyers; (2) a large total health care program for several hundred military working dogs at many military bases; (3) a clinic to prevent spread of animal diseases and to provide emergency care for pets since foreign clinical veterinarians are unavailable at most locations (most foreign veterinarians are only in their state's food inspection, sanitation and disease control program); (4) a bite investigation and wildlife disease program since rabies, leishmaniasis, and many more diseases are epidemic in these countries; (5) a complete sanitation program for all food facilities on-base and for companies off-base wishing to sell food to the armed forces; (6) comprehensive food handler training in sanitation, food safety and personal hygiene; (7) epidemiology programs for human diseases (flu, TB, and so forth); (8) import/export evaluations to prevent foreign animal diseases (foot-and-mouth disease as one example) from being introduced into host countries or back into the United States; and (9) a training program for handling mass casualties (humans) using animals as training models.

As examples of their contributions in the food inspection area in fiscal year 1978, inspections by the Air Force veterinary service resulted in rejection of $9 million worth of food destined to feed military troops; condemnation of another $5 million worth, and negotiation of $.2 million in price adjustments; they participated in 44 hazardous food recalls; they disapproved 76 food plants on a list of 975; they trained 54,167 food handlers; and investigated 106 potential foodborne illness outbreaks.

The article says that the Appropriations Subcommittee will make its recommendations based largely on a recent 200-page

study by Maximus, Inc. That report contains several serious omissions and errors in interpretation of data; however, let's look at some of the comments and conclusions which you did not report:

The mission is without question necessary (page 8). Rather, the requirement of the mission has moved away from requiring solely the traditional skills of the veterinarian to a multiple set of skills with a public health orientation.

If the military veterinarian does not perform these necessary missions someone else, probably less qualified in broad biomedical skills, will have to (page 3).

The cost savings of substituting other types of personnel will not differ substantially from the present (page 163).

The value of these functions lies mainly in what does not happen, that is, what the functions prevent. While prevention is not particularly glamorous, it is preferable to the more expensive consequencies which can flow from its absence (page 3).

The military veterinarian is cost effective in conducting the food inspection mission—even when considering only the value of food that is rejected. If the other health care costs prevented by the inspection are considered, the cost effectiveness increases more (page 10).

The requirement for Doctors of Veterinary Medicine (DVMs) in the R&D mission is accepted and they should remain military (pages 11 & 12).

Civilian veterinarians could not respond promptly to the wartime mission overseas (page 160).

Several factors critical to mission accomplishment and cost effectiveness were not addressed in the Maximus Report. Examples of these include:

a. Though indicating a probable need for DVMs overseas, how rotations could be accomplished with too few positions in the continental United States was not addressed.

b. The offsetting availability and costs for contracts with civilian DVMs for care of Government owned animals, immediate examination of the several thousand stray animals involved in bite cases, and other animal related problems were not stated.

c. The Department of Defense (DOD) is the single largest potential source for introducing devastating foreign animal diseases into the United States. How DOD could support its commitment to assist the US Department of Agriculture in prevention of such diseases or of their control or eradication if prevention fails was not considered.

Some major errors in the use of data contributed to several of the inaccurate conclusions of the report. These errors were called to the attention of the Office of the Assistant Secretary of Defense for Health Affairs; however, the data were not corrected in the report.

But how quickly the accomplishments of military veterinarians are forgotten! Back as far as the 1950s, Air Force veterinary radiobiologists helped compile data necessary for the space flights which continued for two decades. In 1954, when no texts on diseases of laboratory animals were available, Air Force veterinary pathologists at the Armed Forces Institute of Pathology helped initiate a course in Pathology of Laboratory Animals.

During this same period, an Air Force veterinarian developed a prosthetic hip joint that contributed to advances in both human and animal orthopedic surgery. In the early 1960s, Air Force veterinary clinicians and pathologists supported the well-publicized flights of nonhuman primates to determine the safety of man in space.

In the late 1960s, the fabrication of a mechanical heart pump contributed to the knowledge and success of cardiopulmonary resuscitation. During the 1970s, acceleration studies using animals and supported by Air Force veterinarians helped to determine the optimal angle of the seat back necessary to reduce the effects of gravitational forces on pilots during combat maneuvers of the F-15 fighter.

The Venezuelan equine encephalomyelitis outbreak in 1971 cost millions of dollars and had potential explosive impact on the livestock industry. The Department of Agriculture called on Air Force and Army veterinarians to help control this disease. The Newcastle Disease in poultry in 1972-1973 required extensive Air Force and Army assistance. We responded. The Department of Agriculture asked for Air Force and Army assistance in the outbreak of Newcastle Disease in exotic birds in California and Florida a few months ago. We responded.

In addition to activities in this country, Air Force veterinarians have also participated in international comparative medical research. Foreign governments have requested their services. The US/USSR space-biology project was managed by an Air Force veterinarian and others were active in US/USSR studies of marine mammals. The history of the Air Force and Army veterinary services is replete with accomplishments which have significantly benefited our country.

I earnestly hope that the necessity for maintaining both the Air Force and Army veterinary services will be recognized, and that action will be taken to maintain them in their present form.

Sincerely,

PAUL W. MYERS,
Lieutenant General, USAF, MC
Surgeon General.

OUR INCONSISTENT STAND ON GENOCIDE

Mr. PROXMIRE. Mr. President, since the United Nations General Assembly overwhelmingly approved the text of the Genocide Convention in 1948, the Senate has been faced with the issue of ratification. Prior to and since the convention, the United States has stood firm on genocide. We condemn it.

Why, then, have we in the Senate balked at the opportunity to join in international disapproval of this heinous crime? Why have we failed to ratify the Genocide Convention?

Certainly we have not changed our stand on mass slaughter—or have we? From our inactivity, it appears that we are allowing the issue to die a slow death. From our inactivity, it appears that we tolerate the act of genocide. From our inactivity, the issue dies—as do millions of human beings.

And yet, as each act of genocide occurs, our Nation publicly condemns it. As so-called leaders in pushing for human rights, we label the killings as "gross injustices" of every human's right to live.

Where is our consistency?

We call for human rights, but we hesitate to enter into a formal agreement to condemn genocide. We aided in drafting the treaty, but now we refuse to ratify it.

The contradiction is obvious. So is the solution: Ratify the Genocide Convention.

In 1970, before the Special Subcommittee on the Genocide Convention, Columbia Prof. Richard Gardner pointed out that:

Our ratification of this Convention will dissipate the embarrassing contradiction between our failure to act and our traditional leadership in support of basic human rights.

Mr. President, surely the correct move is clear. We must act decisively and ratify the treaty.

JUSTICE DEPARTMENT TAKES INCREDIBLE POSITION ON JUDGE

Mr. HELMS. Mr. President, I am reluctant to interrupt the very important proceedings of the Senate for these remarks about an extraneous subject, but occasionally, a matter comes up that is so important that it must be given a certain priority.

It is just such a matter I must address at this moment.

This is the headline of a story in this afternoon's Washington Star, "U.S. Wants Mormon Judge To Quit ERA Appeal Case.' Allow me to read the first few paragraphs of this unbelieveable report:

The Justice Department has filed an unusual request to disqualify a federal judge in Idaho on the ground that he is a Mormon and therefore allegedly unable to rule impartially on a challenge to the Equal Rights Amendment.

Because U.S. District Judge Marion J. Callister, Jr. holds a prominent position in the hierarchy of the Church of Jesus Christ of Latter-day Saints, there exists a "reasonable question" as to his ability to render an impartial decision, the Justice Department said.

Mr. President, what I have just read is such a travesty of our Constitution and of the basic principles of our country, that I am hard put to believe this is really happening. Does no one at the Justice Department, including the Attorney General, have any comprehension of what they are doing in this matter? Of the legal precedents they are setting? Of the constitutional principles they are violating? If, today, a Mormon judge cannot be trusted to hear a case involving the ERA, perhaps tomorrow a Jewish judge cannot be trusted to hear a case involving illegal trade practices concerning the Arab embargo against Israel or a Catholic judge will be disqualified from an abortion case or a Quaker judge will be disqualified from a military service case.

To the best of my knowledge, the action by the Justice Department is entirely without precedent. To the best of my determination, the record will be kept that way. For if the Justice Department goes ahead with this unconstitutional attempt to categorize Federal judges by religion and to penalize them if they fall into a disfavored category, this Senator will have no higher legislative priority for the remainder of the 96th Congress than teaching the Department to see the error of its ways.

This must be said: This affront to Judge Callister, this affront to every Mormon in America, and to every American who treasures the rights of citizenship is typical of the extremist, extralegal tactics consistently used by some ERA supporters, both in and out of Government.

Mr. President, I tried to warn last year, when supporters of ERA rushed Congress into what many constitutional scholars consider a blatantly illegal extension of the ERA ratification period, that their political agenda knew no respect for constitutional procedures. The Justice Department abetted them then, and it is doing so now in its action against Judge Callister.

I shall not take more of the Senate's time on this matter. The facts speak for themselves. I urge my colleagues to read the story in today's Washington Star and I ask unanimous consent that it be printed following the conclusion of my remarks. They will find it as chilling and as preposterous as I have.

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

(See exhibit 1.)

Mr. HELMS. Mr. President, I urge the Attorney General to reconsider this action by the Department of Justice and end this assault on the honesty and integrity of Judge Callister and his fellow Mormons. If however, this move against Judge Callister represents Department policy, then the Attorney General must expect to deal with Senators, and with millions of Americans, who will not easily surrender our treasured rights of freedom of conscience, freedom of religion, freedom of expression, and the separation of church and state.

[EXHIBIT 1]

UNITED STATES WANTS MORMON JUDGE TO QUIT ERA APPEALS CASE

(By Robert Pear)

The Justice Department has filed an unusual request to disqualify a federal judge in Idaho on the ground that he is a Mormon and therefore allegedly unable to rule impartially on a challenge to the Equal Rights Amendment.

Because U.S. District Judge Marion J. Callister Jr. holds a prominent position in the hierarchy of the Church of Jesus Christ of Latter-day Saints, there exists a "reasonable question" as to his ability to render an impartial decision, the Justice Department said.

An aide to the judge, reached yesterday at his office in Boise, said Callister had no comment, but would rule soon on the disqualification request.

The Idaho lawsuit is the pre-eminent outstanding legal test of a state's right to rescind its ratification of the ERA.

If the courts uphold Idaho's claims, the result would, in effect, doom the amendment, which says: "Equality of rights under the law shall not be denied or abridged by the United States or by any state on account of sex."

The Mormon Church, according to the Justice Department's motion, officially opposes both the ratification of ERA, and the extension of time allowed for states to approve it.

The church has traditionally excluded women from certain positions in the church hierarchy. "We don't ordain women to the priesthood," said a church spokesman, "but women do have responsible positions in the church."

ERA has been approved by 35 states, three short of the minimum number needed to make it part of the Constitution. Idaho was the fifth state to ratify. The Idaho Legislature approved ERA on March 24, 1972, two days after it was formally proposed by Congress. Five years later Idaho had second thoughts and passed a resolution to repeal its prior ratification.

The state filed suit against the federal government last May in an effort to get official recognition for its vote to rescind. Idaho wants the head of the U.S. General Services Administration, Rowland G. Freeman III, the custodian of government documents to return its certificate of ratification.

Arizona, which has not ratified ERA, and several legislators from Washington State, which ratified the amendment in 1973, have joined Idaho in its suit.

All contend the proposed amendment became void when the original seven-year ratification period ended in March. Congress voted last October to extend the ratification period to June 30, 1982. Anti-ERA forces contend that Congress had no authority to extend the deadline.

THE ALLEN J. ELLENDER FELLOWSHIP PROGRAM

Mr. MAGNUSON. Mr. President, in recent years Congress has appropriated a small amount of funds each year for the Allen J. Ellender fellowship program. These fellowships are used to help pay for the participation of high school students and teachers of modest means in the week-in-Washington educational program conducted by the nonprofit Close Up Foundation. The foundation uses this small Federal contribution as seed money to attract larger contributions from the private sector so that in the end the educational benefit provided by those Federal dollars is much greater than it otherwise would be.

During their week in the Nation's Capital, the students and their teachers get an opportunity to learn firsthand about the operations of the Federal Government through meetings with Government officials and educational seminars. In short, Washington, D.C., becomes their "classroom" for the week.

However, only a relative handful of high school students ever have the opportunity to visit the Nation's Capital. Consequently, I note with particular interest the announcement that has been made today of a new program that is to begin soon through the combined efforts of the Close Up Foundation and the Cable Satellite Public Affairs Network. As I understand it, the foundation will be producing educational television interview programs here in the Nation's Capital geared specifically to provide students who cannot come to Washington, D.C., with much the same kind of firsthand view of the Government process as those who visit here get. These programs will be beamed to high schools around the country which are now able to see the televised proceedings of the House of Representatives over the Cable Satellite Public Affairs Network. This is an innovative experiment with considerable educational potential and one which I will be following with interest.

BANKING COMMITTEE STAFF STUDY OF CHARTERING PROCEDURES

Mr. PROXMIRE. Mr. President, the Dallas Morning News carried a story last week that said the staff of the Committee on Banking, Housing, and Urban Affairs was looking into an "unusual pattern" of national bank charters granted to friends and associates of John B. Connally.

I would like to take a moment to explain what the committee staff is doing to put the allegations contained in that article in context and clear up any misunderstandings.

First of all, neither the committee nor its staff is investigating Mr. Connally.

Second, the staff has found no evidence showing that Mr. Connally exercised improper influence in the granting of national bank charters.

Here is the background of the committee staff study:

The committee staff has been conducting a study for the past year on the chartering practices of the Comptroller of the Currency, an agency within the U.S. Treasury. The Comptroller is responsible for chartering and regulating national banks. The purpose of the study is to review the bank chartering process over the last several years to determine whether consistent and objective standards were being applied in charter approvals and denials.

The study also focuses on the procedures followed and the economic and competitive criteria applied by the Comptroller in awarding new bank charters, the adequacy of the agency's review of organizers of proposed banks and allegations of political influence in the consideration of bank charters.

The staff reviewed over 1,000 applications for new bank charters filed with the Comptroller's office from 1970 to 1977. During the course of its study, the staff carefully examined the circumstances surrounding the handling of seven bank charters in Texas during the years 1970 and 1973 which had been approved by the Comptroller against the recommendations of the Deputy Comptroller and the majority of his staff. Those seven applications were reviewed in the context of the staff's study of chartering procedures, not as part of a special investigation of Mr. Connally. Moreover, of the seven applications, two were approved prior to the time when Mr. Connally was Secretary of the Treasury and one was approved after he left Treasury.

It is expected that the results of the staff study will be made available to the committee later this year.

COMMUNICATIONS

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

EC-2180. A communication from the Principal Deputy Assistant Secretary of Defense (Comptroller), reporting, pursuant to law, on contract award dates for the period September 15, 1979 to December 15, 1979; to the Committee on Armed Services.

EC-2181. A communication from the Secretary of the Treasury, transmitting, pursuant to law, a report on foreign government treatment of U.S. commercial banking organizations; to the Committee on Banking, Housing, and Urban Affairs.

EC-2182. A communication from the As-

sistant Secretary of the Interior, transmitting a draft of proposed legislation to amend provisions of Federal reclamation law restricting delivery of project water to newly irrigated lands for crops the supply of which is likely to be excessive; to the Committee on Energy and Natural Resources.

EC-2183. A communication from the Under Secretary of Energy, transmitting, a request that a preliminary report entitled "Export Potential for Photovoltaic Systems" transmitted on April 26, 1979, pursuant to law, be treated as the final report of the Department on the subject; to the Committee on Energy and Natural Resources.

EC-2184. A communication from the Acting Assistant Administrator for Legislative Affairs, Department of State, transmitting, pursuant to law, a Presidential determination, signed on September 13, 1979, relating to a proposed $10 million grant to Yugoslavia for earthquake reconstruction; to the Committee on Foreign Relations.

EC-2185. A communication from the Acting Assistant Administrator for Legislative Affairs, Department of State, transmitting, pursuant to law, a justification of an increase of the funding level of the proposed fiscal year 1979 program in Tunisia; to the Committee on Foreign Relations.

EC-2186. A communication from the Mayor of the District of Columbia, transmitting a draft of proposed legislation to authorize the set-off of annuity payments or refunds payable from the Civil Service Retirement Fund to former employees of the government of the District of Columbia in order to liquidate debts owed to the government of the District of Columbia; to the Committee on Governmental Affairs.

EC-2187. A communication from the Comptroller General of the United States, transmitting, pursuant to law, a report entitled "The Effectiveness of the Defense Contract Audit Agency Can Be Improved"; to the Committee on Governmental Affairs.

EC-2188. A communication from the Director of the Central Intelligence Agency, transmitting a draft of proposed legislation to provide for death gratuities for the survivors of certain Central Intelligence Agency employees; to the Select Committee on Intelligence.

EC-2189. A communication from the Chief Justice of the Supreme Court of the United States, transmitting notice that the Court will open the October 1979 term on October 1, 1979; to the Committee on the Judiciary.

EC-2190. A communication from the Chairman of the Federal Election Commission, transmitting, pursuant to law, the budget request of the Federal Election Commission for fiscal year 1981; to the Committee on Rules and Administration.

PETITIONS

The PRESIDING OFFICER laid before the Senate the following petitions and memorials, which were referred as indicated:

POM-458. A resolution adopted by the Legislature of the Territory of Guam; to the Committee on the Judiciary:

"RESOLUTION No. 344

"Be it resolved by the Legislature of the Territory of Guam:

"Whereas, the National Association for Asian American and Pacific Education has nominated Dr. Katherine B. Aguon for membership to the U.S. Commission on Civil Rights; and

"Whereas, Dr. Katherine B. Aguon is the Vice-Speaker of the Fifteenth Guam Legislature and the Chairperson of the Committee on Education; and

"Whereas, Senator Aguon has always been a strong advocate of equal educational opportunity and has been the major force behind all legislations dealing with education, women's and family rights; and

"Whereas, Dr. Katherine Aguon's knowledge and experience in these areas, coupled with her relentless effort to improve the lot of her fellow citizens makes her an excellent representative to serve on the U.S. Commission on Civil Rights; and

"Whereas, Senator Katherine Aguon was the keynote speaker at the First National Conference on Asian and Pacific American Education held in San Francisco of this year and also was the former Director of the Department of Education, the first woman to hold a position within the Government of Guam; and

"Whereas, as a respected member of the Asian and Pacific American community, Dr. Katherine Aguon has the expertise and experience that would make her an effective member of the U.S. Commission on Civil Rights; and

"Whereas, the confirmation of Senator Katherine B. Aguon would be a significant indication of the President's concern for the civil rights of Asian and Pacific Americans; now, therefore, be it

"Resolved, that the members of the Fifteenth Guam Legislature, on behalf of the people of Guam, hereby support and endorse the nomination of Dr. Katherine B Aguon to the U.S. Commission on Civil Rights; and be it further

"Resolved, that the Speaker certify to and the Legislative Secretary attest the adoption hereof and that copies of the same be thereafter transmitted to Ms. Gloria Molina, White House Presidential Personnel; to the President and Officers of the National Association for Asian American and Pacific Education; to Mark Tajima, Pacific Asian Coalition; to Juanita Tamayo Lott, Office of the U.S. Commission on Civil Rights; to the President of the United States; to the President of the United States Senate; to Congressman Antonio B. Won Pat; and to the Governor of Guam."

POM-459. A resolution adopted by the Interim Joint Committee on Banking and Insurance of the Kentucky General Assembly, relating to the problem small coal operators in Kentucky are having in attempting to acquire a reclamation bond; to the Committee on Energy and Natural Resources.

POM-460. A resolution adopted by the Sherman County Commissioners Court, Stratford, Tex., relating to policies of Federal Government; to the Committee on Governmental Affairs.

POM-461. A petition from a private citizen, petitioning the Congress to adopt an amendment to the Constitution of the United States to cut, limit and control Federal spending; to the Committee on the Judiciary.

POM-462. A petition from a private citizen, petitioning the United States Senate to reject ratification of the SALT II Disarmament Treaty; to the Committee on Foreign Relations.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

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

S. Res. 217. A resolution waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of S. 1110.

S. Res. 218. A resolution waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of H.R. 3923.

By Mr. MATHIAS, from the Committee on the Judiciary, without amendment:

S. 947. A bill to amend title 18 of the United States Code to allow the transportation or mailing to a foreign country of material concerning a lottery authorized by that foreign country, and for other purposes (Rept. No. 96-323).

By Mr. PELL, from the Committee on Rules and Administration, without amendment:

S. Res. 238. An original resolution authorizing additional expenditures by the Committee on Rules and Administration for routine purposes (Rept. No. 96-324).

S. Res. 239. An original resolution to pay a gratuity to Mollie P. Livingston.

By Mr. HART, from the Committee on Armed Services, with an amendment:

H.R. 3354. An act to authorize appropriations for fiscal year 1980 for conservation, exploration, development, and use of naval petroleum reserves and naval oil shale reserves, and for other purposes. (Rept. No. 96-325).

By Mr. HART, from the Committee on Armed Services, without amendment.

S. Res. 240. An original resolution waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of H.R. 3354. Referred to the Committee on the Budget.

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. LONG, from the Committee on Finance:

Reubin O'D. Askew, of Florida, to be Special Representative for Trade Negotiations, with the rank of Ambassador Extraordinary and Plenipotentiary.

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

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

The following-named persons to be Representatives of the United States to the 34th Session of the General Assembly of the United Nations:

Donald F. McHenry, of Illinois;

Benjamin S. Rosenthal, U.S. Representative from the State of New York;

Larry Winn, Jr., U.S. Representative from the State of Kansas; and

Esther L. Coopersmith, of Maryland.

The following-named persons to be Alternate Representatives of the United States to the 34th Session of the General Assembly of the United Nations:

Richard W. Petree, of Virginia;

William L. Dunfey, of New Hampshire; and

Howard T. Rosen, of New Jersey.

(The above nominations from the Committee on Foreign Relations 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. JACKSON (by request):

S. 1770. A bill to amend provisions of Federal reclamation law restricting delivery of

project water to newly irrigated lands for crops the supply of which is likely to be excessive; to the Committee on Energy and Natural Resources.

By Mr. HEFLIN:

S. 1771. A bill for the relief of Dr. George Chrousos and his wife, Dr. Georgia Chrousos; to the Committee on the Judiciary.

S. 1772. A bill for the relief of Min-Zen Lin; to the Committee on the Judiciary.

By Mr. CHURCH (by request):

S. 1773. A bill to recognize United States passports issued to individuals identified therein as citizens of the United States as proof of citizenship; to the Committee on Foreign Relations.

By Mr. MATHIAS (for himself, Mr. JAVITS, and Mr. DURENBERGER):

S. 1774. A bill to provide for a coordinated national policy on stable economic growth; to the Committee on Governmental Affairs.

By Mr. TALMADGE (for himself, Mr. HELMS, Mr. MCGOVERN, Mr. YOUNG, Mr. HUDDLESTON, Mr. DOLE, Mr. STONE, Mr. HAYAKAWA, Mr. LEAHY, Mr. LUGAR, Mr. ZORINSKY, Mr. COCHRAN, Mr. MELCHER, Mr. BOSCHWITZ, Mr. PRYOR, Mr. JEPSEN, Mr. BOREN, Mr. NUNN, Mr. MCCLURE, Mr. HOLLINGS, Mr. THURMOND, Mr. BAYH, Mr. BURDICK, Mr. PERCY, Mr. CHILES, Mr. MORGAN, Mr. STENNIS, Mr. CULVER, and Mr. PRESSLER):

S. 1775. A bill to promote the development of energy from agricultural commodities, forest products, and their wastes and residues, and rural energy conservation practices; to the Committee on Agriculture, Nutrition, and Forestry.

By Mr. TOWER:

S. 1776. A bill to impose quantitative restrictions on the importation of lamb meat; to the Committee on Finance.

By Mr. DOLE:

S. 1777. A bill to amend title 10, United States Code, to authorize reserve enlisted members of the Army and the Air Force to retire with 20 years of service; to the Committee on Armed Services.

By Mr. BENTSEN:

S. 1778. A bill to limit state severance taxes on energy resources produced from certain Federal lands; to the Committee on Energy and Natural Resources.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. JACKSON (by request):

S. 1770. A bill to amend provisions of Federal reclamation law restricting delivery of project water to newly irrigated lands for crops the supply of which is likely to be excessive; to the Committee on Energy and Natural Resources.

● Mr. JACKSON. Mr. President, by request, I send to the desk for appropriate reference a bill to amend provisions of Federal reclamation law restricting delivery of project water to newly irrigated lands for crops the supply of which is likely to be excessive.

Mr. President, this draft legislation was submitted and recommended by the Department of the Interior, and I ask unanimous consent that the bill and the executive communication which accompanied the proposal from the Assistant Secretary be printed in the RECORD.

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

S. 1770

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law, whenever a Federal reclamation project has a restriction in its authorizing legislation on water deliveries for the production of basic agricultural commodities, as defined in the Agricultural Act of 1949, as amended, no water shall be delivered to any water user for the production on newly irrigated lands of such basic agricultural commodity if the Secretary of Agriculture determines, pursuant to the Agricultural Act of 1949, as amended, that the total supply of such commodity for the marketing year in which the bulk of the crop would normally be marketed is likely to be excessive, and that a set-aside shall be in effect.

U.S. DEPARTMENT OF THE INTERIOR,
Washington, D.C., September 17, 1979.

Hon. WALTER F. MONDALE,
President of the U.S. Senate,
Washington, D.C.

DEAR MR. PRESIDENT: Enclosed is a draft of a bill "To amend provisions of Federal reclamation law restricting delivery of project water to newly irrigated lands for crops the supply of which is likely to be excessive."

We recommend that the bill be enacted.

The proposed legislation is needed to amend Federal reclamation law so as to make the determination of crops in excess supply under Reclamation law consistent with similar determinations made by the Secretary of Agriculture on other programs.

Legislation authorizing a number of reclamation projects contains language that restricts the delivery of water for production on newly irrigated lands of any basic agricultural commodity, if the total supply of such commodity for the marketing year is "in excess of normal supply." When such provisions are used in reclamation law, they customarily refer to the Agricultural Adjustment Act of 1938 (52 Stat. 31; 7 U.S.C. 1281) for the definition of which crops are in excess supply. (See, for example, section 2(b) of the Act of June 3, 1960, 74 Stat. 156, authorizing the San Luis Unit of Central Valley Project.)

The criteria prescribed in the 1938 Act for determining crops in excess supply have been superseded by the Agricultural Act of 1949 (P.L. 81-439; 63 Stat. 1051) as amended by the Food and Agriculture formula in the latter Act for purposes of determining crops in excess supply. As a result, if the determinations are now made under reclamation law as to whether crops are in excess supply, they have to be made according to an obsolete and discarded formula.

For example, under the 1977 criteria, upland cotton would not be considered in excess supply while under the 1938 criteria it is a crop in excess supply. Moreover, the determination under the 1938 criteria is not available until after cropping plans and investments for seed, fertilizer, and land preparation must be made by the growers. The confusion and uncertainty for cotton can very easily occur for other crops.

At present, there are 15 projects subject to excess crop limitations under reclamation law. On 13 of these, the restriction applies for a 10-year period from the date of authorization, on 2 for 10 years from the completion of construction, and 1 for an indefinite period. A list of these 16 projects is attached.

The proposed legislation would modify the Federal reclamation laws to allow the Secretary of Agriculture to make the determination of crops in excess supply based on laws and criteria currently in effect on other programs he administers. The same basis for determination of crops in excess supply would apply in all situations. Project water could not be delivered to a water user on newly irrigated lands if the Secretary of Agriculture determined, pursuant to the Agriculture Act of 1949, as amended, that the total supply of a basic agricultural commodity for the appropriate marketing year is likely to be excessive, and a set-aside is in effect. Compliance with set-aside requirements would not entitle a grower to project water for the crop in question on newly-irrigated lands.

We strongly recommend enactment of the proposed bill to eliminate discrepancies in the law and to correct difficulties we have encountered in managing certain reclamation projects.

The Office of Management and Budget advises that there would be no objection to the presentation of the attached bill from the standpoint of the President's program.

Sincerely,

GUY MARTIN,
Assistant Secretary.

PROJECTS WITH RESTRICTIONS ON DELIVERY OF WATER FOR PRODUCTION OF SURPLUS CROPS ON NEWLY IRRIGATED LANDS

Project, authorizing legislation, and authorization date

Central Valley, San Luis Unit, California [1]; P.L. 86-488; June 3, 1960.

San Juan-Chama, New Mexico [2]; P.L. 87-483; June 13, 1962.

Navajo Indian Irrigation, Colorado-New Mexico [3]; P.L. 87-483; June 13, 1962.

Yakima, Kennewick Division Extension, Washington; P.L. 91-66; August 25, 1969.

Rogue River Basin, Merlin Division, Oregon; P.L. 91-270; May 28, 1970.

Rathdrum Prairie, East Greenacres Unit, Idaho; P.L. 91-286; June 23, 1970.

Walla Walla, Touchet Division, Washington; P.L. 91-307; July 7, 1970.

Pick-Sloan Missouri Basin Program:

Narrows Unit, Colorado; P.L. 91-389; August 28, 1970.

O'Neill Unit, Nebraska; P.L. 92-514; October 20, 1972.

North Loup Division, Nebraska; P.L. 92-514; October 20, 1972.

Upper Snake River Project, Salmon Falls Division, Idaho; P.L. 92-514; October 20, 1972.

Pick Sloan Missouri Basin Program:

Polecat Bench Unit, Wyoming; P.L. 94-228; March 11, 1976.

Pollock-Herreid Unit, South Dakota; P.L. 94-228; March 11, 1976.

Kanopolis Unit, Kansas; P.L. 94-423; September 28, 1976.

Chief Joseph Dam, Oroville-Tonasket Unit, Washington; P.L. 94-423; September 28, 1976.

Central Valley Project, Allen Camp Unit, California; P.L. 94-423; September 28, 1976.●

By Mr. CHURCH (by request):

S. 1773. A bill to recognize U.S. passports issued to individuals identified therein as citizens of the United States as proof of citizenship; to the Committee on Foreign Relations.

● Mr. CHURCH. Mr. President, by request, I introduce for appropriate reference a bill to recognize U.S. passports issued to individuals identified therein as citizens of the United States as proof of citizenship.

This legislation has been requested by the Department of State, and I am introducing the proposed legislation in order that there may be a specific bill to which Members of the Senate and the

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[1] Restriction has no expiration date.

[2] Restriction applies for 10 years from completion of construction.

[3] Restriction applies for 10 years from completion of construction; principal responsibility for administration lies with Nevajo Tribe and the Bureau of Indian Affairs, but Reclamation also has responsibility in terms of the operation of some project facilities.

public may direct their attention and comments.

I reserve my right to support or oppose this bill, as well as any suggested amendments to it, when the matter is considered by the Committee on Foreign Relations.

I ask unanimous consent that the bill be printed in the RECORD at this point, together with the letter from the Assistant Secretary of State for Congressional Relations to the President of the Senate dated September 12, 1979.

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

S. 1773

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Chapter 4 of title 22, United States Code, is amended by adding the following new section:

"§ 211b. Legal significance of the passport.

A passport, unlimited as to its full period of statutory validity, issued to a citizen of the United States by the Secretary of State under the authority of this title shall have, during its period of validity, the same effect in all courts, tribunals, and public offices of the United States, at home and abroad, of the District of Columbia, and each State, Territory, and outlying possession of the United States, as a certificate of naturalization issued by a court having naturalization jurisdiction."

SEC. 2. The analysis of Chapter 4 of Title 22, United States Code, is amended by adding the following new item after section 211a:

"211b. Legal significance of the passport."

DEPARTMENT OF STATE,
Washington, D.C., September 12, 1979.

Hon. WALTER F. MONDALE,
President, U.S. Senate.

DEAR MR. PRESIDENT: Enclosed for consideration of Congress is a draft bill which would amend Chapter 4 of Title 22, United States Code, to include a section on the evidentiary value for proof of citizenship which should be accorded to the United States passport.

The enclosed draft bill is concerned with the U.S. passport which is issued to United States citizens. U.S. passports issued to nationals of the United States are not included in the draft bill as the bill only considers documents of citizenship which are issued by the Departments of State and Justice, and as problems related to the acceptability of the passport for nationals are de minimis.

Currently, there is no statutory determination of the legal significance of the passport which is issued to a U.S. citizen as proof of that individual's U.S. citizenship. However, the certificates of naturalization and of citizenship which are issued by the Department of Justice have received such recognition in section 332(e) of the Immigration and Nationality Act (8 U.S.C. § 1443(e)). Specifically, section 332(e) accorded the certificates of citizenship and naturalization which are issued administratively by the Attorney General the same effect as certificates of naturalization which are issued by courts having naturalization jurisdiction. Lack of a statutory provision for the State Department's document of citizenship has caused questions to arise concerning the comparable acceptability between the two Departments' citizenship documents.

The possibility that the U.S. passport may be considered to have less evidentiary weight than the certificate of citizenship which is issued by the Attorney General is especially troublesome in view of the fact that the evidence required to be submitted for obtention of a passport is equivalent to that required for obtention of a certificate of citizenship. Thus, the procedural safeguards to the integrity of each document are similar. Nevertheless, the citizen who can only be documented by a passport is in a weaker position than the citizen who can be documented with a certificate of citizenship when called upon to prove U.S. citizenship.

The Immigration and Naturalization Service has agreed that changes are necessary to resolve this long-standing question. In fact, the Immigration and Naturalization Service and the Department had previously agreed to propose legislation similar to that enclosed. It was agreed that this legislation, if enacted, would resolve many problems which the Departments of State and Justice have experienced. Additionally, enactment of the proposal would eliminate duplication of effort by the Departments of State and Justice. Each year the Immigration and Naturalization Service receives a number of requests for certificates of citizenship from citizens who are already documented with passports. These requests often are made because of the uncertain legal status of the passport as proof of citizenship. Enactment of the proposal would substantially reduce such requests and thereby reduce the workload of the Immigration and Naturalization Service with concomitant saving of resources.

The proposal which was agreed to by the Department of State and Immigration and Naturalization Service would have provided for comparable acceptability of the passport and another Department of State citizenship document, the Report of Birth Abroad of a Citizen of the United States. The proposal would have incorporated this within section 332(e) of the Immigration and Nationality Act (8 U.S.C. § 1443(e)).

The Department now believes that it would be inappropriate to include discussion of the passport and Report of Birth in section 332(e) as section 332 is concerned with administrative provisions and executive functions of the Attorney General in relation to the issuance of naturalization certificates. Therefore, the Department has prepared the enclosed draft bill concerning the U.S. passport which would have the same effect as the original proposal, but would place the language in Chapter 4 of Title 22, United States Code, which contains the statutory provisions governing passports.

Additionally, the Department prepared a draft bill, submitted under separate letter, which considers the Report of Birth in the same manner as the enclosed draft bill, but which places the language in a new section (104a) in Title I of the Immigration and Nationality Act (8 U.S.C. Sec. 1101 et seq.). This placement of the Report of Birth provision section is appropriate as the preceding section, Sec. 104 in Title I, contains the authorization for preparation of such Reports.

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the presentation of this legislative proposal to the Congress.

Sincerely,

J. BRIAN ATWOOD,
Assistant Secretary for Congressional Relations.●

By Mr. MATHIAS (for himself, Mr. JAVITS, and Mr. DURENBERGER):

S. 1774. A bill to provide for a coordinated national policy on stable economic growth; to the Committee on Governmental Affairs.

ECONOMIC GROWTH MANAGEMENT ASSISTANCE ACT

● Mr. MATHIAS. Mr. President, the health of the Nation's economy is a matter of continuing concern and intense debate. All the experts agree that the debate should address two particularly troublesome points: The slow rate of capital formation and uneven growth rates of both economic sectors and geographic regions.

Some regions of the country are growing while others experience economic stagnation and decline. Some major industries are relocating out of the so-called Frost Belt of the Northeast and Great Lakes regions to the warmer climes of the Southern and Southwestern Sun Belt. The problem has been portrayed by the popular press as a "Second War Between the States." But I think that is too simple a picture which overlooks the particular ups and downs of individual local economies. A growing number of authorities recognize that this is not a phenomenon which can be neatly categorized by geographic region or State. Even within those regions, there is no uniform pattern of economic performance. Some cities boom and others decline, irrespective of the region in which they are located.

The White House Conference on Balanced National Growth held in Washington just 1 year ago and attended by over 700 persons, confirmed this. That Conference produced two overall growth policy directions:

Effective national growth and development policies must be "balanced," addressing the issues of growth as well as decline, seeking the equitable distribution of economic opportunities among all people and places and capitalizing on local and regional advantages for our collective betterment.

A "fair and flexible Federalism" is needed. The Federal Government must play a more sensitive role in the Federal system, setting national objectives while recognizing the special characteristics of particular geographic areas, and providing regions, states, and localities greater responsibility for deciding how to attain those objectives.

And the President, in his January 19, 1979, message to the Congress reporting on the Conference, summed up what this changed perception of national economic growth means for the Federal Government:

These principles reflect a significant change in the way America perceives the question of national economic growth. They mark a shift from a predominant concern with the economic health of the Nation as a whole to greater attention to the economic vitality of subnational units, be they regions, states, or localities. The Conference found the question of the distributional impacts of Federal policy to be of critical importance. The Conference urged improvements in the processes by which growth policy is developed. In exercising its responsibility for setting the general directions of such policies, the Federal Government should bring together and involve regions, states, localities and the private sector in a shared responsibility for planning and implementing them. . . .

The Conference recognized that uniformly applied national practices and rules ignore substantial regional differences. The Federal Government must begin to fine tune national policy and programs, taking into account substantial diversity among regions, states and localities, and encouraging through incentives more shared responsibility in the achievement of national objectives. . . .

The processes that shape energy, environmental, business, community, and economic growth policies in particular must be related to and support one another. The proper role of the Federal Government is to establish a coordinated policy framework to guide regional, state and local planning and deci-

sion-making, seeking insofar as possible to anticipate change so as to enable all levels of government as well as private interests to take timely actions.

Frankly, I think it counterproductive for us to continue to describe the differing growth rates, Federal spending patterns, local tax efforts, and population shifts in terms that imply that certain regions or States are "winning" or "losing."

The Governor of Georgia, George Busbee, put it well in an address to the Southern Growth Policies Board:

Since 1865 we have known as a nation that none of our regions can have an independent political destiny . . . and I don't believe any region should aspire to or attempt to have an independent economic destiny.

In principle . . . we are as much "one nation" economically as we are "one nation" politically.

But the facts of the matter are that "economic equity" is as elusive . . . as difficult to establish and maintain as political justice.

What we should be concerned with is the total economy, the inflation which continues to plague it, and high unemployment rates. We should focus on the trouble spots—those sectors of the economy which are changing or slowing down; those areas where unemployment is the most intractable; those microeconomies which act as a drag on our national growth and prosperity. And we must have the foresight to recognize a new opportunity, idea, or technology when it comes along, and to nourish it and make use of it.

Federal policy and practices have played an increasingly influential role in the course taken by our Nation's economy. Federal decisions in facility location and relocation, construction, leasing, procurement, grants, and loans in many cases determine whether a town lives or dies economically.

I particularly welcome the Carter administration's decision to use locational policies by Federal agencies as a tool to help distressed urban communities. This type of policy is long overdue. Wise as I think this policy is as a general matter, it is surrounded by such a bewildering array of other legislative and administrative directives that the urban policy's fundamental thrust of aiding distressed cities and people is almost completely blunted.

For that reason, I held hearings on the issue in the Governmental Efficiency Subcommittee of the Governmental Affairs Committee on May 15 and 16. The witnesses who appeared at my hearings were extremely helpful in shedding light on various space management policies that either are or ought to be in operation, and on the kinds of decisions that need to be made about when and where to locate Federal offices. From their testimony it seems clear that we must devise better ways to fulfill the goals of aiding distressed cities while maximizing the impact of limited Federal funds.

In the past, particularly during the Depression, various Federal policies were consciously promoted to invigorate the predominantly agricultural economy of the South and Southwest of our country. Whenever possible, we tried to locate our military bases there. We even created a major public utility project—the Tennessee Valley Authority. And to a great extent those policies succeeded in bringing industry, people, and rising incomes to the South and Southwest.

Now we find that other regions, which had been doing quite well without any particular Federal policy stimulus, are beginning to feel left out.

As Ralph Widner of the Academy for Contemporary Problems has noted—

Much of what we're calling a problem, we've been trying to do for 40 years, develop Western resources, bring the South up to parity with the North. Now we're wringing our hands over it.

The fact is that ours is an economy of interdependent local and regional economies and economic sectors. When these sectors become seriously imbalanced due to sudden spurts of growth in certain sections or prolonged high unemployment in others, the stability of our entire economy is threatened.

For all of these reasons, it is useful and appropriate to bring together those most involved in our national economy to focus on both the big picture and the microeconomies with special needs. The bill I am introducing today would do this.

It establishes a Cabinet-level Council of 27 composed of the Secretaries of major departments involved in Federal spending as well as representatives of business and labor. The purpose of the Council is to monitor the trends in the economy at the national, regional, State, and local level and to take corrective action when needed to avoid sharp swings in economic activity that put a strain on particular parts of the economy or regions of the country.

The Council would serve as a forum where the main actors could share their research and perceptions of economic trends. Federal departments and agencies would tell the Council when they proposed to take any major Federal action which could require adjustments at the local, State, or regional level. Such major Federal action could mean a military base closure or relocation, the termination of a major contract for aircraft production, the proposed leasing of office space for several hundred Federal employees or the awarding of a mass transportation grant to build a subway in a metropolitna area. It could also mean the proposed construction of a veterans hospital, the proposed closing of a local airport, or the awarding of a contract for research into new energy technology to a company, firm, or university.

The Council would evaluate such proposed major actions to determine whether they would substantially affect the community and surrounding region. The mayors, Governors, and businesses likely to be affected also would be consulted to determine their contingency plans. In other words, the Council is supposed to keep everyone informed of proposed major Federal actions to avoid surprises, and provide technical assistance to communities when needed. In a sense, it is a form of emergency preparedness.

The Council is also charged with developing and recommending to the President and the Congress a national economic growth policy, to be updated annually.

The estimated cost of the Council, assuming a staff of about 30, ranges from $3 to $3.5 million.

Mr. President, I believe we in the Federal Government need to bring some order to how we spend money, locate installations, and lease space. Our activities play a significant role in determining the direction of the economy. We must begin to plan them better.

In his Report to the Congress on the White House Conference on Balanced National Growth and Economic Development, the President noted how important it is for the public sector to be clear about its rules of the game:

The Conference was correct in suggesting that growth policy processes at all levels of government should assist elected decisionmakers and the private sector to—

Anticipate economically significant trends, such as sectoral shifts and the energy problems that have grown over the past decade;

Relate sometimes conflicting national objectives, such as regulatory and growth policies, to one another; and

Involve all levels of government and nongovernmental interests in priority setting.

We have learned how important it is for business and labor, as well as the public sector, to understand how future industrial and employment changes will affect regions, States, and major population centers. Furthermore, in the interest of a strong national economy and a healthier climate for investment, we must reduce to the extent possible the uncertainty and contradictory nature of public decisionmaking.

This bill establishes just such a forum for reducing those contradictory public policies at the highest levels of Government—the Cabinet.

It is not aimed at instituting national economic planning with established 5-year goals as is done in several western European countries. Rather, I see the Council as a forum for beginning a necessary dialog about our economy, how and where it is growing, what role we each play in it, and how we can play our role better. The Council will not promulgate new, complex Federal regulations, for ours is basically a free economy. Rather, it will monitor the directions of the public sector of our economy, and coordinate the Government's role in promoting ordered growth.

I ask that the text of my bill appear at this point in the RECORD.

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

S. 1774

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 "Economic Growth Management Assistance Act".

FINDINGS

SEC. 2. The Congress finds and declares that—

(1) there is a disparity in growth rates between cities and suburbs and between the various States and regions of the Nation;

(2) this disparity may cause severe economic and population dislocations among localities, States, and regions, thereby impeding the stable growth of the Nation's economy;

(3) certain urban areas, particularly core cities, are experiencing a decline in the growth of key sectors of their economies, a declining tax base, and an increasing population of dependent individuals;

(4) other urban areas are experiencing unprecedented growth of this population, tax bases, and sectors of their economies;

(5) the rate and composition of growth of different urban areas is exerting growing demands on the natural environment, resources, public services, capital improvements, and tax base of such areas;

(6) the United States Government has made substantial commitments of money and manpower in the economic, scientific, social, and technologic fields through Federal leasing, contracts, direct employment, and location of facilities throughout the Nation. Those Federal spending and locational policies are directly related to differing rates of growth between and among urban areas, States, and regions of the Nation.

STATEMENT OF POLICY

SEC. 3. (a) It is the policy of the Congress to insure a stable economic growth rate for the Nation in a manner which equalizes regional and urban growth rates.

(b) The Congress, the Federal Government, State and local governments, and all citizens have a responsibility to conserve our environment through prudent management of existing resources and the development of new resources, both natural and man made.

(c) It is the purpose of this Act to provide the means through which the United States can promote an orderly and stable rate of economic growth for the Nation which will minimize economic and population dislocations among urban areas, States, and regions of the Nation; assure that dislocations do not compound recessionary trends which may be present in those areas; and encourage capital formation in the private sector.

DEFINITIONS

SEC. 4. As used in this Act, the term—

(1) "Federal agency" has the same meaning as provided under section 551(1) of title 5, United States Code.

(2) "Person" means any corporation, firm, partnership, association, individual, or other entity.

(3) "Federal contract" means any contract entered into between a person and a Federal agency to furnish material or services to such agency in an aggregate amount of $5,000 or more.

(4) "Federal contractor" means any person determined by the Secretary of Labor to employ not less than 5 per centum of the local labor force as determined by the Secretary in the furnishing of material or services pursuant to the terms of a Federal contract, or as a subcontractor thereunder, and for whom such contract or contracts, including any under negotiation, represents more than 20 percentum of the total production of each specific plant or productive unit of such person's business with respect to which the Secretary of Labor is able to reasonably relate an identifiable local labor force.

(5) "Facility" means any plant or other establishment (or part thereof) engaged in the production, repair, modification, maintenance, storage, or handling of material or goods for sale or lease to the Federal Government or any building or real property owned or leased by the Federal Government.

(6) "State" means any State of the United States of America, including the District of Columbia, the Commonwealth of Puerto Rico, and any other territory or possession of the United States.

(7) "State agency" means the agency of a State which administers its unemployment compensation law, approved by the Secretary of Labor under section 3304 of the Internal Revenue Code of 1954.

(8) "Substantially and seriously affected" means, with respect to any local or State government or region of the Nation or contractor or other business, as the case may be, abnormally high or low growth rates, severe unemployment, severe reduction in tax base, loss of critical sectors of their economies, or severe demands on publicly provided services.

ESTABLISHMENT

SEC. 5. (a) There is hereby established in the Executive Office of the President an Economic Growth Policy and Management Assistance Council (hereinafter referred to as the "Council") which shall be composed of—

(1) the Secretary of Defense;

(2) the Secretary of Agriculture;

(3) the Secretary of the Interior;

(4) the Secretary of Commerce;

(5) the Secretary of Health, Education, and Welfare;

(6) the Secretary of Housing and Urban Development;

(7) the Secretary of Transportation;

(8) the Secretary of Energy;

(9) the Special Representative for Trade Negotiations;

(10) the Administrator of the National Aeronautics and Space Administration;

(11) the Chairman of the Council of Economic Advisers, who shall be Chairman of the Council (hereinafter referred to as the "Chairman");

(12) the Director of the United States Arms Control and Disarmament Agency;

(13) the Assistant to the President for Domestic Affairs and Policy;

(14) seven representatives of the business sector of the economy appointed by the President; and

(15) seven representatives of the labor sector of the economy appointed by the President.

(b) The Chairman of the Council of Economic Advisers shall preside over meetings of the Council and he shall designate a member of the Council to preside in his absence.

(c) The Council may invite additional individuals to serve as members, either on a temporary or permanent basis, except that the membership of the Council shall not exceed thirty members at any time.

(d)(1) An Office of Economic Growth Policy and Management Assistance (hereinafter referred to as the "Office") shall be established within the Executive Office of the President to provide staff support for the Council. The Office shall be headed by an Executive Secretary who shall be appointed by the Chairman and who shall be compensated at the rate provided for grade GS-18 of the General Schedule under section 5332 of title 5, United States Code. It shall be the duty of the Office, at the request of the Council, to assist communities, States, and regional organizations with economic growth planning, management, and execution, and to carry out such other duties as the Council may prescribe.

(2) The Council may appoint and fix the compensation of such additional personnel as it deems advisable. The Council may procure temporary and intermittent services to the same extent as authorized by section 3109 of title 5, United States Code.

(3) The Council is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality of the United States, information, suggestions, estimates, and statistics to carry out the provisions of this Act. Each such entity is authorized and directed to furnish such information, suggestions, estimates, and statistics directly to the Council upon request made by the Chairman.

(e) Members of the Council who are officers or employees of the Federal Government shall receive no additional compensation for their activities as members of the Commission. Other Members appointed to the Council shall receive compensation at a rate of not to exceed $135 per diem when engaged in the performance of the duties of the Council. While away from their homes or regular places of business in the performance of services for the Council, members of the Council shall be allowed expenses including per diem in lieu of subsistence in the same manner as persons employed intermittently in the Government service are allowed expenses under section 5703(b) of title 5, United States Code.

DUTIES

SEC. 6. It shall be the duty of the Council to—

(1) Insure a stable economic growth rate for the Nation.

(2) Monitor and evaluate the impact of Federal spending, contracting, leasing, construction, and facility location and relocation on local, State, and regional economies.

(3) Identify local, State, and regional economies which are experiencing above or below average economic growth or decline or are demonstrating trends toward abnormal growth or decline which could lead to severe disruptions in the national economy. Such economies so identified shall be identified as "substantially or seriously affected" as described in section 10.

(4) Identify what if any relationship Federal spending, contracting, leasing, construction, and facility location and relocations have had in the past are having, and could have in the future on those trends in local, State, and regional economies.

(5) Develop a national economic growth policy based on the foregoing data analysis and the impact statements required under section 8.

(6) Recommend to the President and Congress ways the Federal Government can promote economic growth and ameliorate economic decline in local, State, and regional economies, with particular attention to labor surplus areas as defined by the Bureau of Labor Statistics. The national economic growth policy shall be reviewed by the Council and updated annually. The annually updated policy shall be recommended to the President and the Congress by February 1 of each year. Such policy shall identify priority national requirements for various sectors of the economy and shall take into consideration such subjects as renewable energy sources; energy efficiency; neighborhood revitalization; new technology for housing production and rehabilitation; new communications technology; mass transportation; preventive health care; education; basic and applied scientific research; environmental protection and enhancement; space exploration; and agricultural and forestry technology.

(7) Consult with the mayors of cities, Governors of States, and regional governmental planning organizations to encourage appropriate studies and action at the local, State, and regional level with regard to economic growth and management.

(8) Consult with trade, industry, business, labor, and professional organizations to encourage and enlist their expertise for a coordinated effort to improve the conditions for capital formation, new business ventures, expanded employment opportunities, and general growth and management of the economy.

(9) Develop guidelines to determine if a community, State, or region is substantially or seriously affected.

(10) Develop and coordinate policies and programs to be carried out by Federal agencies to facilitate stable economic growth of the Nation. Such actions shall include re-

orienting existing Federal policies, programs, leases, contracts, and locations.

(11) Assist communities, States, regions, and industries which may be substantially and seriously affected through the programs of the Federal Government.

(12) Collect and disseminate to substantially and seriously affected Federal contractors information useful to them in expanding, converting, and rehabilitating their businesses.

(13) Perform the duties imposed upon the Council by this Act, and promulgate such regulations as may be necessary to carry out the provisions of this Act.

REVIEW OF FEDERAL ACTIONS

SEC. 7. (a) It shall be the duty of the Council to review plans and proposals by Federal agencies which involve major new spending, as defined by the Council and with public notice thereof, in a particular city, State, or region, or which involve—

(1) the closure or relocation of a Federal facility;

(2) the relocation or reduction of Federal personnel; or

(3) the reduction or elimination of a Federal contract,

the effect of which would be a significant disruption to the city, State, or regional economy involved.

(b) The Council shall determine whether such plan or proposal conforms to the policy and requirements of this Act and those adopted by the Council.

(c) The Council shall further insure that the proposing Federal agency has notified the affected city, State, and regional governmental planning organization as well as the industries or businesses likely to benefit or be harmed by such Federal action.

(d) The Council's review of such planned or proposed Federal action shall evaluate the impact of such Federal action on—

(1) the economy of the city, State, and region directly and substantially affected;

(2) the operations of the proposing Federal agency in terms of achieving overall Federal agency goals; and

(3) the policy and goals of this Act and those adopted by the Council pursuant to this Act.

(e) The Council shall consult with substantially and seriously affected cities, States, and regional governmental planning organizations likely to be affected by the proposed or planned Federal action in preparing its review of such action. The Council shall make its review of the planned or proposed Federal action available to the affected Federal agency; the affected cities, States, and regional governmental planning organizations; and the affected industries and businesses.

IMPACT STATEMENT

SEC. 8. At the end of each fiscal year each Federal agency shall prepare an impact statement on the effects of its spending, leasing, locations, and relocations of Federal facilities or personnel; reductions, eliminations, or increases of its loan, grant, and contract programs; and closures of its facilities on the local, State, and regional economies of the Nation. Such impact statement shall include an analysis of the foregoing elements during the immediately preceding fiscal year, and projections with respect to such elements for the next fiscal year. Such impact statements shall measure changes in employment, output, prices, profits, and population. The Council shall determine any additional indicators which shall be used by one or more such reporting Federal agencies. The impact statements shall be prepared for the Council and made available to the Congress and the public in a timely manner at the end of each fiscal year.

ANNUAL REPORT

SEC. 9. The Council shall annually prepare and publish a written report concerning its activities pursuant to this Act. Such report shall incorporate information from the impact statements required under section 8 of this Act submitted to the Council. Such report shall contain—

(1) an analysis of trends in the economies of localities, States, and regions:

(2) economic growth opportunities likely to result from the execution of planned or proposed Federal actions reviewed by it pursuant to this Act; and

(3) the long-range and short-range impact to the national economy of possible overproduction or underproduction of key sectors of the economy.

SUBSTANTIALLY AFFECTED COMMUNITIES

SEC. 10. The Council shall determine and make available to Federal agencies the names of substantially of seriously affecting cities, States, and regions. Communities not included may petition the Council to be so designated. The Council shall make a determination on such petitions within ninety days of their receipt. Federal agencies are to take into consideration the impact of their spending, locational, leasing, and contracting policies and practices on such substantially or seriously affected cities, States, and regions. Such agencies shall make such changes and adjustments in their spending, locational, leasing, and contracting policies and practices so as to avoid intensifying any negative economic trends of those substantially or seriously affected communities identified by the Council.

EMPLOYMENT ASSISTANCE

SEC. 11. The Secretary of Labor shall make available to the maximum extent feasible employment training and retraining through the programs of the Department of Labor to substantially and seriously affected cities, States, regions, industries, and businesses. The Secretary shall establish, in cooperation with State agencies, employment referral and training assistance to employees displaced from their jobs as a direct result of Federal action.

MANAGEMENT AND ECONOMIC ADJUSTMENT ASSISTANCE

SEC. 12. (a) The Secretary of Commerce shall make available to the maximum extent feasible technical assistance and economic adjustment assistance to substantially and seriously affected cities, States, regions, industries, and businesses. The Secretary shall make particular use of the programs of the Economic Development Administration and Small Business Administration of the Department of Commerce in carrying out the provisions of this section.

(b) The Secretary of Defense shall make available to the maximum extent feasible technical assistance and economic adjustment assistance to substantially and seriously affected cities, States, regions, industries, and businesses. The Secretary shall make particular use of the programs of the Office of Economic Adjustment in carrying out the provisions of this section.

AUTHORIZATION OF APPROPRIATIONS

SEC. 13. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.●

By Mr. TALMADGE (for himself, Mr. HELMS, Mr. MCGOVERN, Mr. YOUNG, Mr. HUDDLESTON, Mr. DOLE, Mr. STONE, Mr. HAYAKAWA, Mr. LEAHY, Mr. LUGAR, Mr. ZORINSKY, Mr. COCHRAN, Mr. MELCHER, Mr. BOSCHWITZ, Mr. PRYOR, Mr. JEPSEN, Mr. BOREN, Mr. NUNN, Mr. MCCLURE, Mr. HOLLINGS, Mr. THURMOND, Mr. BAYH, Mr. BURDICK, Mr. PERCY, Mr. CHILES, Mr. MORGAN, Mr. STENNIS, Mr. CULVER, and Mr. PRESSLER):

S. 1775. A bill to promote the development of energy from agricultural commodities, forest products, and their wastes and residues, and rural energy conservation practices; to the Committee on Agriculture, Nutrition, and Forestry.

AGRICULTURAL, FORESTRY, AND RURAL ENERGY ACT OF 1979

Mr. TALMADGE. Mr. President, the energy crisis is one of the most important domestic issues this Nation faces, and several committees of the Senate are working their way through legislation that addresses this issue. Although it is not clear at this time what the final Senate energy bills will contain, it is apparent that they will primarily focus on the production of synethetic fuels.

While I have been a supporter of a synthetic fuel program of some type, we all must realize that large-scale synthetic fuel plants will be costly and not reduce our dependence on imported oil for several years. We must, therefore, also look at measures that will encourage the production of alternate fuels in the near future.

I believe that small-scale production of alternate fuels from agricultural and forestry products offers one of the most practicable and least costly ways of filling the gap. The technologies for the efficient production of alternate fuels from wood, grain, and other biomass materials are available now for on-farm and small-scale commercial application.

Also, methods to conserve the amount of energy used by farmers, rural residents, and rural communities are now available, and can substantially reduce the Nation's overall energy consumption.

What is needed is an effort by the Department of Agriculture to provide the necessary applied research, technical know-how, and financial assistance in these areas. The Department already has in place an efficient delivery system that can be used for this purpose.

The bill that I am introducing today—the Agricultural, Forestry, and Rural Energy Act of 1979—addresses these needs. The bill amends the Food and Agriculture Act of 1977 to require the Secretary of Agriculture to implement, within the Department of Agriculture, an agricultural, forestry, and rural energy production, utilization, and conservation program. The goal of the program would be to enable the United States to achieve net energy independence by the year 2000 for agriculture and forestry production, processing, and marketing, and a 50-percent reduction in petroleum and natural gas use by rural residents and communities. It would establish research, extension, demonstration, loan, grant, and cost-share programs necessary for the effective implementation of the program.

Mr. President, I ask unanimous con-

sent that there be printed at this point in the RECORD a summary of the bill.

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

SUMMARY OF THE MAJOR PROVISIONS OF THE AGRICULTURAL, FORESTRY, AND RURAL ENERGY ACT OF 1979

The bill adds a new title XX to the Food and Agriculture Act of 1977.

New title XX would require the Secretary of Agriculture to implement, within the Department of Agriculture, an agricultural, forestry, and rural energy production, use, and conservation program. The goal of the program would be to enable the United States to achieve net energy independence for agricultural and forest production, processing, and marketing, and a 50 percent reduction in petroleum and natural gas use by rural residents and communities, by the year 2000.

New title XX would also establish research, extension, demonstration, loan and grant programs necessary for the effective implementation of the program.

Specifically, the major provisions of the bill would—

(1) designate the Department of Agriculture as the lead Federal agency for the development and production of alternate fuels from agricultural commodities and forest products and for research, extension, and conservation activities related to agricultural, forestry, and rural energy;

(2) require the Secretary of Agriculture to implement an agricultural, forestry, and rural energy production, use, and conservation program that will enable the United States to meet the goals of net energy independence for agriculture and forestry, and a 50 percent reduction in petroleum and natural gas use by rural residents and communities, by the year 2000;

(3) require the Secretary, jointly with other Federal agencies, to establish procedures for coordination of the agricultural, forestry, and rural energy program and activities under new title XX with other Federal energy programs;

(4) establish the Agricultural, Forestry, and Rural Energy Board to assess agricultural, forestry, and rural energy needs and resources and develop the agricultural, forestry, and rural energy production, use, and conservation program;

(5) provide for applied research and extension by the Department of Agriculture to develop renewable resources energy production and rural energy conservation;

(6) provide for applied research and extension by State institutions, as follows:

(a) appropriations of $50 million annually would be authorized to support applied research by State agricultural experiment stations to develop renewable resources energy production and rural energy conservation; and

(b) appropriations—of $50 million annually under the Smith-Lever Act, and $5 million annually under the Renewable Resources Extension Act of 1978—would be authorized for rural energy extension work by State extension services;

(7) establish four wood energy centers, each in a different region of the Nation, in an area in which there is a large amount of private forest land. Where feasible, each center would be located at an existing forest research facility of the Department of Agriculture. Under the direction of the Agricultural, Forestry, and Rural Energy Board, each center would perform research, provide technical assistance, and operate demonstration projects relating to wood energy production and use, and energy production, use, and conservation in the rural areas within the region;

(8) establish a cost-share program for owners of 1,000 acres or less of nonindustrial forest land, under which the Secretary would provide cost-share funds for up to 75 percent of the cost of forest improvement practices to increase the production of wood for energy. Up to $100 million could be made available annually to the Secretary for this program;

(9) establish a 5-year pilot program under which the Secretary would make loans to owners of 5,000 acres or less of nonindustrial forest land to support forest management practices designed to increase the production of wood for energy. Applicants would be required to meet a test for credit;

(10) authorize grants to State forestry agencies for additional State foresters to provide technical assistance to forest landowners in producing wood for energy;

(11) authorize the Secretary to provide management and planning assistance to State foresters on State programs relating to the production of wood for energy;

(12) for 5 years, authorize up to $10 million annually in loans for the establishment of fuelwood concentration and distribution centers that make fuelwood available to homeowners;

(13) establish four agricultural biomass energy centers, each in a different region of the Nation, in an area in which there is intensive use of the land for growing agricultural commodities. Where feasible, each center would be located at an existing agricultural research facility of the Department of Agriculture. Under the direction of the Agricultural, Forestry, and Rural Energy Board, each center would perform research, provide technical assistance, operate demonstration projects relating to agricultural biomass energy production and use, and energy production, use, and conservation in rural areas within the region, and train extension personnel to conduct agricultural biomass energy workshops;

(14) direct the Secretary to implement a workshop, training, information dissemination, and technical assistance program on small-scale agricultural biomass energy production for farmers and rural residents and communities. The program would be conducted by the State extension services in areas in which there is intensive use of the land for agricultural production. To the extent feasible, at least 100 workshops would be conducted annually;

(15) direct the Secretary to make loans for on-farm or commercial projects for the production or use of energy from agricultural commodities and forest products. The Secretary would be authorized to make $250 million in direct loans, and to provide loan guarantees for $1 billion in other loans, annually, with one-third of the loans being earmarked for wood energy projects. In addition, one-fourth of the loans, including loans for wood energy projects, would be allocated to on-farm and small-scale commercial projects. The Secretary would be authorized to award grants for demonstration projects;

(16) amend the Consolidated Farm and Rural Development Act to—

(a) authorize farm ownership loans for nonfossil fuel energy systems used in farm operations, and farm operating loans for equipment that uses energy derived from renewable resources or that increases energy conservation (and, for each of the fiscal years 1980, 1981, and 1982, specifically authorize the use of $50 million for such farm ownership loans, and $20 million for such farm operating loans);

(b) authorize rural industrialization loans for commercially feasible projects for renewable resources energy production (and, for each of the fiscal years 1980, 1981, and 1982, specifically authorize the use of $20 million for direct loans for such purpose, and $250 million for guaranteed loans for such purpose); and

(c) authorize loans to rural electric cooperatives for projects to generate electricity using nonfossil fuel sources (and, for each of the fiscal years 1980, 1981, and 1982, specifically authorize the use of $25 million for such loans);

(17) authorize the Administrator of the Rural Electrification Administration to make grants in fiscal years 1980 through 1983 to rural electric systems for projects demonstrating alternative energy and conservation technologies, including small scale hydropower, geothermal, fuel cell, wind, solar, wood, peat, and biomass projects. Appropriations would be authorized for such grants as follows: $10 million for fiscal year 1980, $20 million for fiscal year 1981, $25 million for fiscal year 1982, and $30 million for fiscal year 1983;

(18) direct the Secretary to provide cost sharing and technical assistance to farmers under the Agricultural Conservation Program for energy conservation measures; and

(19) become effective October 1, 1979.

Mr. TALMADGE. Mr. President, the Agricultural, Forestry, and Rural Energy Act of 1979 focuses on energy that can be produced from wood and wood wastes; energy that can be produced from agricultural commodities and residues; and the reduction in the amount of petroleum and natural gas used by our Nation's farmers, ranchers, and other rural residents. I am optimistic about the potential of each of these three areas.

ENERGY FROM WOOD AND WOOD WASTES

Historically, our Nation has relied upon its forests to build its homes and to provide its paper products. I am convinced, however, that our forests can also supply a significant amount of this Nation's total energy needs. Let me use my home State as an example.

Since 1950, the annual wood production in Georgia on an average acre of forest land has increased from about one-half cord to over one cord. This increase has come about because of vigorous programs of forest improvement, including use of improved species, better timber stand improvement and site preparation, and better firefighting techniques. These programs have been used to allow Georgia to become the Nation's leading producer of wood and wood products.

In Georgia, estimates have been made by the Georgia Forestry Commission and Georgia Institute of Technology showing that wood can supply up to 25 percent of the State's energy needs annually forever. This wood would come from waste material that never leaves the forest, such as cull timber, logging wastes, and excess growth of no commercial value.

Nationally, a similar picture for the potential of wood for energy has emerged. While presently we obtain about 2 percent of our energy needs from wood, it is estimated that our forests can produce up to 8 quadrillion Btu's—one-tenth of our national energy needs—this year and for every year in the future. With improved management, such as my bill would provide for, this percentage can be increased even more.

It is important to realize that the wood available for energy production that I am talking about is in addition to the wood already produced for lumber and paper. Wood from mill residues, logging wastes such as the tops, limbs, and stumps of

trees, and noncommercial, dead, and cull trees can all be utilized. Thus, I am not talking about doing away with or threatening the present timber supply. Instead, by using the wood for energy that is wasted today, we can build a new forest industry that will take its place alongside the lumber and paper industries.

METHODS OF OBTAINING ENERGY FROM WOOD

The possibility of using wood for energy on a large scale has always existed in the lumber and paper industries. Companies have burned wastewood to cogenerate steam and electricity in their plants for years. At present, that industry uses about 1.1 quadrillion Btu's derived from wood—more than all other forms of energy produced from renewable sources combined. Outside of these forest products industries, though, wood has not been very widely used as fuel. Several technologies are emerging, however, that will cause wood to be used to a much greater extent.

The most promising and immediate prospect for converting wood to energy is the use of chips and solid wood in newly developed wood-burning furnaces and boilers that are very efficient and virtually pollution-free. Such units are particularly suited for commercial and institutional uses. Two wood-fired utility plants now produce energy exclusively for public consumption—one in Vermont and one in Oregon. Work is underway to develop similar heating units for small buildings such as private homes.

Another technology for converting wood to energy is through a process called pyrolysis. This is not a new technology, but builds upon the knowledge developed with coal by Germany in World War II. By pyrolyzing wood, the solid fuel can be transformed into char, oil, and gas and is suited for large energy-users who can refit existing oil and natural gas furnaces.

Technology is also developing rapidly for the total gasification of wood. Wood gas produced by gasifiers can be burned in boilers and dryers or converted into methanol to use for gasohol.

In addition to industrial-scale pyrolysis and gasification units, efficient home heaters are now on the market that can operate 5 to 10 times more efficiently than old fashioned fireplaces. These technologies show great promise for converting wood to energy cleanly, efficiently, and economically.

In addition to these units, specialized equipment is being developed that will put raw wood into pellet or briquet forms. This processing will allow wood to be handled as a commodity, with fixed energy values and greatly reduced wood storage and handling costs.

While these technologies are emerging, and I have only mentioned a few, they are at the "Model A" stage of development; we must move them to the stage of development of the modern automobile. With these new technologies, wood can be harvested, processed, and converted to usable energy in our factories and homes. The bill I am introducing today would provide the necessary incentives to get the job done.

ECONOMIC IMPACTS OF WOOD ENERGY

The economic benefit of wood energy is perhaps as important as the energy benefit. If we build a new market for wood and wood wastes, rural jobs will be created and rural incomes will be increased. Thus, by encouraging wood energy, we are building jobs for rural Americans and strengthening our rural economy.

In Georgia alone, a wood energy industry producing 25 percent of the State's energy would be worth as much as $600 million in fuel sales alone. With the secondary economic impact, up to $1.5 billion of economic activity might be generated. Nationally, wood can produce $8 to $10 billion in fuel sales, or about $20 billion worth of total economic activity. This is one-half of the cost of foreign oil to our Nation today.

Another major benefit from wood energy is that it is a domestic energy resource under control of our people. No cartel can turn the supply on or off at its whim.

Use of wastewood as energy will help the small woodlot owner by giving him another marketable product. Over 275,000 persons own almost 12 million acres of forest land in Georgia. Most of the eastern forests have similar ownership patterns. By producing another crop—energy from wood and wood waste—the additional income potential will help small landowners and give rural America a real economic boost.

ENVIRONMENTAL IMPACT OF WOOD ENERGY

Economic benefits are important, but the rural environment is important too and must be considered in view of energy needs.

Wood energy offers significant advantages over most coals since ash is much lower in wood than coal, and wood has little sulfur—0.1 percent compared to 3 percent or more for coal. In most coal-to-synthetic fuel technologies, this sulfur must be removed, but with wood, the problem is not present. Also, in direct combustion systems, sulfur emissions are not produced on nearly the scale by wood burning as for coal.

Combustion of wood or other wood conversion technologies are also more acceptable from a carbon monoxide buildup standpoint. Since trees require carbon dioxide as food and carbon dioxide is produced when wood is burned, a balance is assured.

With these positive environmental factors, we must not lose sight of the need to manage the wood energy resource wisely. Unless reforestation programs are widely employed, we could risk deforestation in some areas with significant environmental harm. However, with proper management through technical and economic incentives, these problems need not occur. This bill provides those needed incentives.

In summary, Mr. President, sufficient waste wood resources exist in the form of cull wood, logging wastes, and excess growth to supply up to 10 percent of our projected national energy needs. This resource can be tapped in the near term. But to do so will require a concentrated effort by the Department of Agriculture working closely with the private sector. Such an effort needs to be carried out on a regional basis. Expertise needs to be developed in the South, the Northeast, the Great Lakes States, and the Northwest by groups in those areas. As we develop this resource, we must work to initiate a strong reforestation program. All of these steps will help to reduce our dependence on foreign oil, will create rural jobs and increase rural incomes, and will make our land more valuable by creating a market for presently wasted wood. It is for these reasons that I have made energy from wood and wood wastes a major thrust in this bill.

ENERGY FROM AGRICULTURAL COMMODITIES AND RESIDUES

Another major focus of this bill concerns alternate fuels, especially alcohol, that can be produced from agricultural commodities and residues. Ethyl alcohol, or ethanol, can be produced with existing technology from a wide variety of crops and waste residues—all the way from commodities such as corn and sorghum to waste products such as sugar bagasse, peanut hulls, citrus pulp, or commodities that have gone out of condition storage.

In addition, it is my understanding that one new process for converting cellulose, through the use of enzymes, to alcohol offers great promise. With this new process, it is possible, I am told, to obtain twice as much alcohol from a fixed amount of high cellulose crop such as sweet sorghum. Sweet sorghum, Mr. President, can be grown in almost every part of this Nation—including dryland areas. Also, other new technologies concerning alcohol production from renewable resources offer great promise.

If in fact these new processes can be refined and put to on-farm and small-scale commercial application, farmers will have a new crop—an energy crop—that they could grow profitably. This could change the net income picture for agriculture dramatically, such as the advent of soybeans has done within the last three to four decades. The potential is enormous, and must be realized as soon as possible. It can be done if my bill is enacted into law.

I have been a long-time supporters of gasohol—a blend of gasoline and alcohol that is used for motor fuel. During consideration of the Food and Agriculture Act of 1977, the Senate included a requirement that the Secretary of Agriculture provide for four pilot projects for production of gasohol from agricultural and forest products through Commodity Credit Corporation loan guarantees of up to $60 million. The Department of Agriculture received 30 formal applications for these 4 pilot projects—demonstrating willingness in the private sector to use private resources to make alcohol for blending with gasoline if the Government will bear apart of the risk.

Since the passage of the 1977 act, I have received many inquiries from persons in Georgia and other States who are

vitally interested in alcohol production for fuel and have developed innovative plans for alternate energy production utilizing farm and forest products.

Let me give one example, Mr. President, of a proposal that is being considered in my home State this very moment. Georgia is the second largest broiler producing State in this Nation, and consequently, a large amount of corn has to be purchased outside the State. A Georgia poultry farmer is seriously thinking about purchasing the corn, using the starch in the corn to make gasohol on a small scale, and feeding the residual material, called distiller's dried grain which is high in protein, to poultry. The corn ultimately would be used for feed; however, alcohol would also be produced—increasing the farmer's income while reducing our dependence on imported oil.

Since the feedstock used to furnish the heat to distill the alcohol from the corn would be wood, every gallon of alcohol produced from this small-scale unit would be replacing 1 gallon of imported oil. There is only one problem—most private lenders remain skeptical about a new idea such as this one. Either a Federal loan or a loan guarantee is needed before private capital will move into new and innovative projects such as this one.

It is my belief, however, that once several loans and loan guarantees are made on small-scale projects such as this one and they prove feasible, private capital readily will flow to finance these projects without Government involvement. Thus, I strongly believe that if the bill I am introducing today is promptly enacted, our farmers will have the ability—not only to provide this Nation with the most reasonably priced food supply in the world—but also to help relieve us of the economic stranglehold OPEC has on us today.

While the Department of Agriculture has processed and tentatively approved four pilot projects involving a total of $42.7 million in loan guarantees, I am sure each and every Senator has been told of other imaginative and feasible proposals in his or her State that go begging for the Federal Government to help share some of the risks in developing new technologies. This seems a shame since the Department of Agriculture has already promulgated the necessary regulations and established an approval process, and could guarantee several more projects without major administrative expense.

I know there are many skeptics about the feasibility of gasohol—both on economic and net energy gain considerations. I am not sure who is right or wrong on these questions, but I do know we are now facing a severe energy crisis—a crisis that will only grow worse unless this Nation develops renewable sources of energy that are not owned and controlled by OPEC.

I also know that the sale of gasohol in service stations throughout the Nation is increasing rapidly when and where it is available. I also am told that the Nation's largest producer of alcohol used in gasohol—Archer Daniels Midland Co. of Decatur, Ill.—claims that, with the improved technology that it is presently using, the positive net energy gain ratio approaches 2 to 1.

I also know that it is a clean burning high-octane fuel that works well in cars. Car manufacturers apparently have no reservation about gasohol, for they have recently extended new car warranties to cover those who use it.

In Brazil, a national program is now being put into effect to convert all of their automobiles to burning alcohol made from agricultural and forest products. Mr. President, I ask unanimous consent that there be printed at this point in the RECORD a recent article which appeared in the Washington Post describing Brazil's effort to reduce its dependence on imported oil through the extensive use of alcohol.

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

[From the Washington Post, Sept. 18, 1979]

BRAZIL PROMOTES PURE ALCOHOL AS ALTERNATE FUEL—CAR ENGINES PURRING HAPPILY AS TRADITIONAL "ONE FOR THE ROAD" GOES IN THE TANK

(By Larry Rohter)

RIO DE JANEIRO.—Brazilian President Figueiredo now rides to all official functions in a Ford LTD limousine that runs on pure alcohol. The other day he was photographed driving an alcohol-powered Beetle on the streets of Brasilia.

Within months, the first chief of state to use an official car running on pure alcohol will be joined by thousands of his fellow-citizens. Gen. Figueiredo and the head of the Brazilian Association of Automobile Manufacturers are scheduled to sign an agreement Wednesday aimed at putting 1.7 million alcohol-powered cars on the highways over the next five years.

The accord is the latest step in the government's ambitious, long-term plan to end dependence on costly imported oil. Brazilian cars already run on gasohol, a mixture of 20 percent alcohol with gasoline and the ultimate aim is for pure ethyl alcohol to be the basic auto fuel.

Under the agreement, auto manufacturers in Brazil are to produce at least 250,000 alcohol-powered vehicles a year for the domestic market, beginning in 1980. (Another 500,000 existing cars are to be converted.) Signatories to the accord include the local subsidiaries of General Motors, Ford, Volkswagen and Fiat.

"What Brazil has come up with here is a way of saving the automobile," says Prof. Jose Goldemberg of the University of San Paulo, former president of the Brazilian Society of Physicists. "When the world's oil suppliers run out, the car will be obsolete unless an alternative fuel supply is ready."

The Brazilian government is to guarantee that production of sugar cane, which when refined yields the alcohol, will be sufficient to supply the cars. It is to replace its entire official fleet of conventional cars with alcohol-powered autos.

The alcohol program has been a top energy priority here since the 1973 oil crisis. Rising prices and the oil supply crunch triggered by the Iranian crisis have accelerated the Brazilian drive for energy independence.

Brazil currently has six million cars and a growing industry that produces more than a million vehicles annually. Government statistics have predicted that the 1979 oil-import bill will reach $7.5 billion.

As a result of the government drive, ethyl alcohol output here already has jumped from 169 million gallons in 1975 to an estimated 910 million gallons this year—more than total alcohol consumption in the rest of the world.

The Brazilian goal is to produce at least 2.75 billion gallons a year by 1985. To achieve that target, the government program calls for investments of $11 billion in distilleries and other alcohol-related projects through 1984.

"Brazil is the only country in the world that has already made official an alternative energy program based on alcohol," said General Motors do Brasil President Joseph Sanchez. "The government has reacted in a realistic and rational manner," to the energy crisis.

At General Motors' plant in Sao Paulo state, the first 252 alcohol-powered vehicles rolled off the assembly line last week destined for a government agency. Early next year, GM will begin mass producing its alcohol-powered vehicles for the public.

GM says its new motor, developed in Brazil by an international technical team and capable of running on gas, alcohol or a combination of the two, is the first "multifuel" engine. To restructure its Brazilian operation and expand production, GM plans to invest $500 million here during the next four years.

By 1982, GM expects to be manufacturing 330,000 of its multifuel engines at the revamped Brazilian plant. Of that total, all but 80,000 will be earmarked for export to Britain, Japan, West Germany and Australia.

A General Motors spokesman here said, however, that the company has "no plans at present" to export the four-cylinder multifuel engine to the United States or to manufacture it at the company's parent plant in Michigan.

"Theoretically, there are no barriers that would prevent us from selling or making our line of alcohol-fueled vehicles and engines in the U.S.," said Jairo Lottle of GM. "It's just not in our plans at the moment."

Ford do Brasil, which later this month will begin mass-producing an alcohol-powered version of the LTD and two other models in its 1980 line, also says that it does not envision exports to the United States in the near future. Production is aimed at meeting local demand first.

"At this point, it doesn't depend as much on us as the Brazilian government," said engineering and technical chief Mauro Borghetti. "If they provide the infrastructure that assures there will be enough alcohol to go around, we'll make the cars."

To encourage consumers to switch to alcohol-powered autos, the government has already instituted a series of incentives. Credit restrictions and taxes have been eased for purchasers of alcohol-fueled vehicles and as of Jan. 1, drivers of cars running on pure alcohol will be exempted from the current prohibition on weekend fuel sales.

The biggest boon to users of alcohol comes in filling the car's tank. Government decrees have established a pump price of 87 cents a gallon for alcohol—as opposed to $1.86 a gallon for regular gasoline and $2.98 for high-test. The government says the cost of producing the alcohol is 70 cents per gallon.

Inventive public relations exercises also have been undertaken in an effort to win public confidence. On Sept. 7, Brazil's independence day, 170 race drivers participated in an alcohol-only auto race, held at the same Rio autodrome where the annual international Grand Prix takes place.

"I see nothing but advantages to be gained from using alcohol as a fuel," said the winning driver, Arthur Bragantini, after the race. "The engines perform better, and since the motor temperature is lower, last longer."

Similar conclusions were reached by participants in a road test sponsored earlier this month by the automotive magazine Quatro Rodas. Results of the four-day trial indicated that "the performance of alcohol-

powered cars is as good as, if not better, than that of conventional automobiles."

Involved in the 62,000 mile road test were the Volkswagen "Passat" (Dasher) and Fiat's 147 model. Average mileage for the participating cars was 27.3 miles per gallon.

Such figures lead some Brazilians to think they have found, if not an answer to the energy crisis, at least a partial solution. Already, delegations from the Philippines, Africa and Central and South America have sent delegations to investigate possibilities of adapting their auto fleets to run on alcohol with Brazilian-designed technology.

Mr. TALMADGE. Mr. President, the vital role that alcohol fuels can play in meeting our Nation's energy needs is well stated in a policy review study that was recently issued by the Department of Energy.

The study reports:

Alcohol fuels (both ethanol and methanol) can contribute to U.S. energy resources by using domestic, renewable resources and coal to extend supplies of high-quality liquid fuels.

The Energy Department study goes on to say:

Indeed, ethanol is the only alternative fuel commercially available now, and the only one likely to be available in quantity before 1985.

Reading further from the study:

Alcohol fuels represent important supplies based on the American agricultural system and on the potential of U.S. coal.

Mr. President, at the present time, most of the alcohol used in blending with gasoline is produced from the alcohol industry's unused plant capacity. Thus, gasohol is now available only on a limited basis. Before farmers, cooperatives, and others will build facilities for greatly expanded alcohol production to make gasohol available, small-scale technologies must be refined and tested, as well as technical and financial assistance offered.

Alcohol production from farm commodities and wastes is one of many alternatives that we must pursue as a nation. It is one of the fuels that can be most quickly developed. The immediate need is for the Federal Government to share risks with the private sector in perfecting existing alcohol technologies, using a number of different feedstocks.

I am convinced that an expanded loan and loan guarantee program is the best and most cost-effective way the Federal Government can stimulate gasohol production and use. Under the loan guarantee program, for example, private capital is used to finance the pilot projects. The Federal Government only guarantees such loans against default. Thus, a $1-billion gasohol project loan guarantee program may cost the Government little or nothing if only those projects with demonstrated potential are approved. And with direct loans, the interest charged is at least the cost of borrowing money. Thus, such a program would have little budgetary impact.

The results of this loan guarantee program would be to stimulate private investment in developing new techniques, especially those well suited for small-scale application, that could lead to greater availability and increased use of gasohol on a nationwide basis. It would assist significantly in reducing our dependence on foreign oil—the goal that President Carter has now set as the highest national priority. But there would also be direct benefits to farmers, consumers, and taxpayers with the development of new markets for farm products, lower costs of Government price support programs for agricultural commodities converted to energy, and increased motor fuel supplies.

In fact Mr. President, the savings from Government price support programs would be much greater than the cost of implementing this bill.

This program has a unique potential for meeting the energy needs of American agriculture. It would encourage the development of alcohol fuel production from small plants especially adapted to supply energy needs for essential farm purposes. We may well see the development of on-farm energy production on a widespread basis as a result of the small-scale production units that could be built under the provisions of this bill.

ENERGY CONSERVATION AND UTILIZATION

While there is great potential in producing alternate energy from renewable resources, there also appear to be many ways in which farmers, ranchers, food processers and retailers can reduce their consumption of petroleum and natural gas. In addition, it appears that many rural residents, communities, and industries can also achieve great savings in the amount of petroleum and natural gas consumed.

PRODUCTION, PROCESSING, AND MARKETING OF FOOD AND FIBER

Energy used in the food system increases the productivity of other resources used in the process. The combined energy uses may increase productivity far beyond the sum of individual uses. For example, in intensively irrigated agriculture, high energy use for fertilizer, weed and pest controls, quality seed, and extensive tillage, in addition to the water provided, permit maximum use of solar energy and high yields.

The impressive yields of modern agriculture have been made possible largely by substituting energy from oil and natural gas for land and labor. Abundant supplies of fossil energy, relative to other resources, have resulted in a growing dependence on these fuels by all sectors of the U.S. food and fiber system—production, processing, transportation, marketing, and preparation for consumption.

Our total food system uses one-sixth of the Nation's energy. Of this energy, 83.4 percent is spent off the farm. Of the remainder, 30 percent is used for fieldwork; 20 percent for irrigation; 25 percent for transportation; 8 percent for cropdrying; 12 percent for livestock, dairy, and poultry production; and 5 percent for other uses.

In the production of crops, agriculture uses 3 percent of the energy consumed in the Nation. Fertilizer and pesticide application represents over one-third of the energy used in production agriculture, while field machinery operations is the second largest use category. More specifically, the Nation's 2.5 million farmers consume 6.3 billion gallons of gasoline and diesel fuel, some 173 billion cubic feet of natural gas, 1.5 billion gallons of propane, and 32.3 billion kilowatt-hours of electricity in an average year.

While amounting to a small proportion of the energy used in the country, the energy required to keep our farmers and ranchers in operation is a vital and increasingly expensive resource. The energy investment in production agriculture permits one U.S. farmer to produce enough food for 56 other persons. Consumers benefit from both an abundance of food and from food prices that are among the lowest in the world when compared to average individual income. Nowhere in the world can the majority of consumers purchase such a variety of high-quality food for less than 20 percent of their disposable income.

Farmers have increased their energy usage through mechanization and chemicals such as fertilizer and pesticides in recent past because it has been profitable. Energy has been plentiful and relatively expensive compared to other production items such as land or labor. This is, however, no longer the case, and has dramatic implications for future net farm incomes and food prices unless ways are discovered and utilized to reduce energy needs.

Farmers cannot control the prices at which they sell or buy. This means that changes in energy prices will affect them more severely, as compared to others who can pass on increased costs. With about 2.5 million farm units in the United States, the individual farmer cannot raise his price to reflect increased energy costs. Commodity prices are more likely to be set by weather in the United States and crop production in the Soviet Union than by production costs incurred by individual farmers. As farmers are faced with a menacing cost-price squeeze, production could drop and food prices could escalate if something is not done.

A severe shortage of food causes human suffering, starvation, and social unrest. Even minor shortages lead to high food prices, imposing economic strain on consumers. Agricultural exports by the United States are also essential for maintaining the international balance of payments. Because so much depends on efficient food production, national agricultural energy policy must be implemented and address itself to the particular energy needs of the food system.

Given these facts, Mr. President, it is imperative that we establish a long-term program to reduce our farmers' and ranchers' dependence on imported oil and natural gas. In a recent publication prepared by the American Society of Agricultural Engineers entitled "Energy—A Vital Resource for the U.S. Food System," it is stated that—

The U.S. Food System must change to adapt to the waning supplies of petroleum. To do this, well-planned, long-term research and educational programs are needed to increase the energy efficiency of food production, processing, distribution and preparation. Significant changes in the current food system may be required.

Mr. President, this is exactly what my bill would do.

In quoting further from this study:

Existing and developing technology offers promise of alternate energy sources for agriculture. However, current energy policies offer little economic encouragement for research and practical application of supplemental and self-sufficient agricultural energy systems.

Again, Mr. President, my bill would establish the necessary economic and technical incentives to get the job done.

There appear to be many areas in which production agriculture can cut its use of petroleum and natural gas. Let me give some examples.

Some alternative crop production systems appear energy efficient but have not been generally adopted because they increase risk and require considerable management. Since fieldwork uses a large portion, or 30 percent, of the energy used in production agriculture, reduced tillage could be one way to reduce energy consumption in the production of food and fiber. More work needs to be done in this area; clearly, the potential is there.

Irrigation is another area where research is needed since 20 percent of the energy used for production agriculture is used for this purpose.

Irrigation is an energy-intensive operation performed on nearly 50 million of the 336 million acres harvested in the United States. However, production from irrigated land is a vital part of the U.S. food system. About 25 percent of the total U.S. food supply is harvested from irrigated land. Irrigation is essential for many fruits and vegetables grown in the West; without irrigation, some of these would not be available at reasonable prices.

Farmers need to manage better their fuel and water. For example, they may measure the amount of moisture in the soil before irrigating, and sprinkler systems could be developed which operate at lower pressures and reduce the amount of energy required to distribute the water. Also, prudent electric load management on irrigation systems could conserve energy and water, another critical food production resource, without adverse effects on crop yield and quality. Without such management, entire areas may revert to uneconomical dry land farming practices. More needs to be done in this area, so better management practices can be developed. Also, more research is needed on harnessing alternate forms of energy to power irrigation systems.

Another item in crop production that is energy intensive concerns crop drying. Crop drying has increased in popularity since the early fifties, and it now requires 8 percent of our total energy needs for agriculture. Drying increases yields 10 to 15 percent because it allows: First, earlier harvest, which significantly reduces field losses due to weather, insects, and disease; second, use of full-season hybrids—longer maturing varieties—that yield more grain per acre; third, farmers to operate harvesting equipment under more ideal weather and crop conditions, improving the operating efficiency of equipment and reducing field losses; and fourth, use of fully mechanized crop handling systems.

Over 80 percent of the corn and 10 percent of the rice produced in the United States today are artificially dried, using heat. In addition, considerable oats and barley, along with soybeans, are dried with unheated air in years when field drying and timely harvest are difficult. In adverse-climate years, much of the soybean crop is artificially dried.

Research efforts need to be intensified to reduce petroleum fuel and natural gas requirements related to this practice. These include first, increased use of high moisture corn storage used to feed animals on or nearby the farms where the corn is grown; second, combination systems using the advantages of high speed, high temperature dryers coupled with energy savings of in-storage, low temperature or natural air drying; third, solar-heated drying systems; and fourth, incineration of crop residues as an energy source for crop drying.

Solar systems may also be used to heat livestock housing, heat greenhouses, and heat water for dairies, as well as for other purposes. In addition, wind energy offers great promise. Wind turbines are particularly well suited for farms because of their location in open spaces and because wind power can be a significant energy source in remote areas with low power requirements.

In sum, Mr. President, existing and developing technologies will make it possible for our food system to become net energy self-sufficient. To do this, however, the Federal Government needs to provide the necessary research, extension, technical, and financial assistance. Farmers must be made aware of these new technologies and encouraged to take advantage of them.

ENERGY CONSERVATION IN RURAL AREAS

Farmers and ranchers can reduce the petroleum and natural gas used to produce food and fiber. But other rural residents, as well as rural communities and industries, must also make great strides concerning energy conservation.

As you know, Mr. President, most rural residents live on farmsteads or in small towns. In most instances, these rural residents earn their livelihood by working in small businesses associated with agriculture or in a small, local industry that provides most of the economic base for the community.

In these instances, energy is a key resource that everyone depends on daily. Farmers need sufficient energy supplies to produce food and fiber. They in turn buy their production items or sell their products to local businesses that employ a large portion of the local work force. Small industries, such as a textile mill or a furniture factory, also need adequate supplies of energy if they are to keep operating at full capacity and employ local persons.

The rural persons that are employed in these areas depend on enough gasoline to drive long distances to work, to buy groceries, and to transport their children to school. They also need enough heating oil or natural gas to cook their food and heat their homes.

What I am saying, Mr. President, is that the whole economic and social fabric of rural America depends on having adequate energy, and that measures need to be taken to help them reduce their dependence on oil and natural gas. My bill sets as a goal for rural America a reduction in consumption of petroleum and natural gas by 50 percent by the year 2000—and I believe it can and must be done. But Federal assistance is necessary to achieve this goal.

I am told, based on recent experiences of pilot projects in a few States, that if a small amount of financial assistance was allocated to the 50 State extension services, energy consumption by rural residents could be cut by 40 percent. This is something that could be done now with current technologies. Additional energy conservation savings could be experienced if a small amount of applied energy research work could be completed. To me, this represents a great potential for energy conservation, and my bill authorizes the necessary programs to achieve these savings in energy.

I am also told that many rural industries are searching for ways to conserve energy, but adequate financing cannot be obtained to convert to some alternate energy source. I also understand that many small industries in rural areas have the capacity to convert some of their waste products to alcohol or use the excess heat produced in making their final products for cogeneration of electricity. Again the problem seems to be, Mr. President, that small rural banks are skeptical of such new ideas so financing is hard to come by. These are some of the reasons why my bill would authorize rural industrialization loans for projects that would reduce our dependence on OPEC.

Finally, some have suggested that there is great potential in developing new energy sources for rural electric systems, including small-scale hydropower, geothermal, wind, solar, wood and peat projects. My bill would address the need to establish demonstration projects to test the feasibility of these alternate energy sources to serve farmers and rural communities and industries.

In summary, Mr. President, I am convinced that agriculture and rural America can do much in making this Nation less dependent, in the near term, on petroleum and natural gas—the two energy sources we import today. What is needed is for the Federal Government to offer the proper set of technical and financial incentives so we can get started on this crucial mission.

I have tailored a bill establishing an energy program to fit the needs of agriculture and rural America. Initially, it will cost some money. But once it is shown that what I have been talking about is practical and profitable, private enterprise will do the rest. The benefits from a few million dollars spent today could prove to be immeasurable. What is it worth, I ask, to release ourselves from the bondage of the shieks of the Middle East?

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. 1775

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 "Agricultural, Forestry, and Rural Energy Act of 1979".

SEC. 2. The table of contents in the first section of the Food and Agriculture Act of 1977 is amended by adding at the end thereof the following:

"TITLE XX—AGRICULTURAL, FORESTRY, AND RURAL ENERGY ACT

"Sec. 2001. Short title.

"Subtitle A—Findings, Purposes, and Definitions

"Sec. 2002. Findings.
"Sec. 2003. Purposes.
"Sec. 2004. Definitions.

"Subtitle B—Designation of the Department of Agriculture as the Lead Agency for the Development and Production of Alternate Fuels from Biomass and Rural Energy Conservation

"Sec. 2011. Designation.
"Sec. 2012. Coordination.

"Subtitle C—Agricultural, Forestry, and Rural Production, Use, and Conservation Program

"Sec. 2021. Duty of the Secretary.
"Sec. 2022. Agricultural, Forestry, and Rural Energy Board.
"Sec. 2023. Program development.
"Sec. 2024. Agricultural, Forestry, and Rural Energy Production, Use, and Conservation Program.
"Sec. 2025. Annual reports to Congress.

"Subtitle D—Agricultural, Forestry, and Rural Energy Research and Extension

"Sec. 2031. Agricultural, forestry, and rural energy research.
"Sec. 2032. Agricultural, forestry, and rural energy extension.
"Sec. 2033. Coordination of research and extension.

"Subtitle E—Wood Energy Development

"Sec. 2041. Wood energy centers.
"Sec. 2042. Wood energy production cost sharing.
"Sec. 2043. Forest management loan pilot program.
"Sec. 2044. Assistance to State forestry agencies.
"Sec. 2045. State advisory committees.
"Sec. 2046. Fuelwood concentration and distribution centers.
"Sec. 2047. National Forest system assistance in wood energy development projects.
"Sec. 2048. Relation to program and board.

"Subtitle F—Agricultural Biomass Energy Development

"Sec. 2051. Definition.
"Sec. 2052. Agricultural Biomass Energy Centers.
"Sec. 2053. Agricultural Biomass production assistance.

"Subtitle G—Agricultural, Forestry, and Rural Energy Production, Use, and Conservation Loans, Grants, and Cost Sharing

"Sec. 2061. Loans and demonstration grants.
"Sec. 2062. Consolidated Farm and Rural Development Act amendments.
"Sec. 2063. Rural electrification demonstration grants for alternate energy sources.
"Sec. 2064. Lending for energy producton and conservation projects by production credit associations, Federal land banks, and banks for cooperatives.
"Sec. 2065. Agricultural conservation program energy conservation cost sharing.

"Subtitle H—Effective Date

"Sec. 2071. Effective date.".

SEC. 3. The Food and Agriculture Act of 1977 is amended by adding at the end thereof a new title XX as follows:

"TITLE XX—AGRICULTURAL, FORESTRY, AND RURAL ENERGY ACT

"SHORT TITLE

"SEC. 2001. This title may be cited as the 'Agricultural, Forestry, and Rural Energy Act'.

"Subtitle A—Findings, Purposes, and Definitions

"FINDINGS

"SEC. 2002. Congress finds that—

"(1) the dependence of the United States on imported petroleum and natural gas must be reduced by all economically and environmentally feasible means, including the use of domestic biomass energy sources;

"(2) the agricultural, forestry, and rural sectors of our economy must conserve energy and substitute renewable sources of fuel for imported petroleum and natural gas to the extent consistent with the maintenance of agricultural and forest productivity and a healthy rural economy;

"(3) agricultural commodities, forest products, and their wastes and residues are renewable resources that, when properly used for the production of industrial hydrocarbons, alcohol fuels, and other energy sources, can substantially assist in reducing dependence on imported petroleum and natural gas and in making the agricultural, forestry, and rural sectors of our economy more energy self-sufficient;

"(4) the Secretary of Agriculture and the agencies subject to the direction of the Secretary of Agriculture administer programs and exercise authorities affecting the production of energy from, and management of, renewable energy sources;

"(5) the programs and authorities of the Department of Agriculture also serve other national needs, including the production of food, animal feed, wood and wood products for housing and other uses, fertilizer and petrochemical substitutes, and other necessities; and

"(6) a national program for the production and use of energy from biomass that can produce the maximum feasible energy from biomass materials while not impairing the Nation's ability to produce food and fiber on a sustainable basis for domestic and export use, and for rural energy conservation, must be formulated and implemented within a multiple-use framework.

"PURPOSES

"SEC. 2003. The purposes of this title are to—

"(1) establish the Department of Agriculture as the lead agency in the Federal Government for the development and production of alternate fuels from biomass, and for research, extension, and conservation activities related to agricultural, forestry, and rural energy;

"(2) assure the development and implementation of an agricultural, forestry, and rural energy production, use, and conservation program that will enable the United States to meet the goals of net energy independence for agriculture and forestry, and a 50 percent reduction in petroleum and natural gas use by rural residents and communities, by the year 2000;

"(3) create within the Department of Agriculture an Agricultural, Forestry, and Rural Energy Board to assist the Secretary in developing and implementing the agricultural, forestry, and rural energy production, use and conservation program; and

"(4) make changes in existing programs and authorities of the Department of Agriculture related to research, technology transfer, and operational activities, in order to conform such programs and authorities to the requirements for the agricultural, forestry, and rural energy production, use, and conservation program, and establish new programs and authorities necessary for the effective implementation of that program.

"DEFINITIONS

"SEC. 2004. As used in this title, the term—

"(a) 'biomass' means agricultural commodities, forest products, and their wastes and residues, that can be used as fuel or for the production of industrial hydrocarbons, alcohols, or other energy sources that will assist in reducing petroleum and natural gas imports. Biomass, without limiting its meaning, includes grain and stalks of corn, wheat, rice, and sorghum, cottonseed and peanut hulls, fruits and vegetables and their processing byproducts and residues, aquatic plants, specific energy-farm crops, wood and wood products, bark, pulp, and chips, and residues from logging and paper manufacturing;

"(b) 'Board' means the Agricultural, Forestry, and Rural Energy Board created under section 2022 of this title;

"(c) 'Program' means the Agricultural, Forestry, and Rural Energy Production, Use, and Conservation Program developed under section 2024 of this title; and

"(d) 'Secretary' means the Secretary of Agriculture.

"Subtitle B—Designation of the Department of Agriculture as the Lead Agency for the Development and Production of Alternate Fuels from Agricultural Commodities and Forest Products and Rural Energy Conservation

"DESIGNATION

"SEC. 2011. The Department of Agriculture is designated as the lead agency of the Federal Government for the development and production of alternate fuels from biomass, and for research, extension, and conservation activities related to agricultural, forestry, and rural energy.

"COORDINATION

"SEC. 2012. The Secretary shall establish with the Department of Energy and other Federal agencies procedures for coordination in areas of mutual interest with respect to agricultural, forestry, and rural energy production, use, and conservation.

"Subtitle C—Agricultural, Forestry, and Rural Energy Production, Use, and Conservation Program

"DUTY OF THE SECRETARY

"SEC. 2021. In order to enable the United States to achieve net energy independence for agricultural and forestry production, processing, and marketing, and to reduce the petroleum and natural gas consumption of rural residents and communities by 50 percent, by the year 2000, the Secretary of Agriculture shall implement the Program developed under section 2024 of this title.

"AGRICULTURAL, FORESTRY, AND RURAL ENERGY BOARD

"SEC. 2022. (a) The Secretary shall establish an Agricultural, Forestry, and Rural Energy Board to perform, and assist the Secretary to perform, the functions and duties required by this title.

"(b) The Board shall be composed of 9 members, as follows—

"(1) the Secretary,

"(2) the Deputy Secretary of Agriculture,

"(3) the Under Secretary of Agriculture for International Affairs and Commodity Programs,

"(4) the Assistant Secretary of Agriculture for Food and Consumer Services,

"(5) the Assistant Secretary of Agriculture for Natural Resources and Environment,

"(6) the Assistant Secretary of Agriculture for Marketing Services,

"(7) the Assistant Secretary of Agriculture for Rural Development,

"(8) the Director of Economics, Policy Analysis, and Budget, and

"(9) the Director of the Science and Education Administration.

"(c) The members of the Board may authorize designees to represent them at meetings of the Board.

"(d) The Secretary shall be chairperson of the Board.

"(e) The Secretary shall designate an executive director for the Board, to be paid at a rate not in excess of the rate prescribed for grade GS-18 in the General Schedule set out in section 5332 of title 5 of the United States Code, and shall provide for such additional professional and clerical assistance as necessary for the Board to meet its responsibilities under this title.

"(f) The Board may use the resources of all Department of Agriculture agencies (including the funds and facilities of the Commodity Credit Corporation) and other Federal agencies, and outside consultants, as necessary to meet its responsibilities under this title.

"(g) The Board shall meet the call of the Secretary, but at least quarterly.

"PROGRAM DEVELOPMENT

"SEC. 2023. (a) The Board shall assist the Secretary in carrying out section 2021 of this title by—

"(1) assessing the Nation's agricultural, forestry, and rural energy needs, resources, practices, legal authorities, programs, and related elements within a multiple-use framework;

"(2) preparing the Program based upon such assessment; and

"(3) preparing the reports required by section 2025 of this title.

"(b) In assessing agricultural, forestry, and rural energy needs and resources, the Board shall—

"(1) identify agricultural, forestry, and rural energy objectives, consistent with the goals contained in section 2021 in this title;

"(2) determine the quality and quantity of biomass materials that are potentially available for energy production;

"(3) identify the ways in which renewable resources can be used to meet United States energy needs, and especially promising areas of development;

"(4) identify and assess practices to conserve energy in agricultural and forest production, processing, and marketing and in rural communities;

"(5) identify and evaluate new agricultural, forestry, and rural energy production, use, and conservation systems and technologies;

"(6) identify policies and procedures necessary to ensure that the production of agricultural commodities and forest products will not be interrupted by energy shortages;

"(7) identify the practices necessary to conserve and enhance the productivity of soil resources, while pursuing the goals contained in section 2021 of this title;

"(8) identify ways to minimize the adverse consequences of energy production on agricultural, forest, and rural lands and rural communities;

"(9) analyze the comparative economic value of renewable resources within a multiple-use framework, including, in addition to potential energy usage, alternate uses such as the production of food, animal feed, housing and other construction materials, fertilizer, and petrochemical substitutes;

"(10) assess existing and anticipated Federal and State laws, policies, programs, and regulations relating to the production and use of biomass energy and the conservation of energy in agriculture, forestry, and rural communities;

"(11) evaluate the effectiveness of existing Department of Agriculture programs and policies in achieving the goals contained in section 2021 of this title;

"(12) analyze the adequacy of existing legal authorities and funding for the implementation of the Program, and recommend changes in such authorities and funding necessary for the achievement of the goals contained in section 2021 of this title; and

"(13) analyze the costs and benefits of optional elements for the Program.

"(c) The assessment of agricultural, forestry, and rural energy needs and resources required under subsection (b) of this section shall be completed by December 31, 1980, and updated when necessary, but at least every five years. The initial report and the updated reports shall be submitted to Congress.

AGRICULTURAL, FORESTRY, AND RURAL ENERGY PRODUCTION, USE, AND CONSERVATION PROGRAM

"SEC. 2024. (a) The Board shall prepare an Agricultural, Forestry, and Rural Energy Production, Use, and Conservation Program, recommending to the Secretary measures, actions, funding levels, and other means to achieve the goals contained in section 2021 of this title without reducing the productivity of United States agriculture or forestry to meet other national needs, or adversely affecting the viability of rural communities. The Program shall include, but not be limited to—

"(1) an inventory of the specific needs and opportunities for public and private investment in agricultural, forestry, and rural energy production, use, and conservation projects;

"(2) identification of estimated costs, returns, results, and benefits associated with investments in such a manner that the estimated costs can be directly compared with the total related benefits; and

"(3) a discussion of the priorities and options for the accomplishment of the Program, specifying estimated returns, results, and benefits.

"(b) The Program shall use and be based upon the Board's assessments made under section 2023 of this title, as well as other relevant data.

"(c) The Program shall be developed in cooperation with Federal, State, and local agencies and organizations in accordance with such procedures as the Board may prescribe to ensure public participation.

"(d) The Program shall be completed and submitted to the Secretary and Congress within one year after enactment of this title and shall be revised when necessary, but at least every five years; and resubmitted to the Secretary and Congress.

"ANNUAL REPORTS TO CONGRESS

"SEC. 2025. For the purpose of providing information that will aid Congress in its oversight responsibilities and improve the accountability of agency expenditures and activities, the Secretary shall prepare annual reports that evaluate the implementation of the Program and submit them to Congress by February 1 of each year, the first such report to be submitted by February 1, 1981.

"Subtitle D—Agricultural, Forestry, and Rural Energy Research and Extension

"AGRICULTURAL, FORESTRY, AND RURAL ENERGY RESEARCH

"SEC. 2031. (a) In order to facilitate the development of agricultural, forestry, and rural energy production, use, and conservation, the Secretary shall implement an agricultural, forestry, and rural energy applied research program within the Department of Agriculture in accordance with the Program. The Secretary shall use, to the extent feasible, existing facilities of the Department of Agriculture, the Wood Energy Centers established under section 2041 of this title, and the Agricultural Biomass Energy Centers established under section 2052 of this title, to implement the applied research program. Applied research under this subsection shall include, but not be limited to, applied research to develop—

"(1) economical and energy-efficient fuel from biomass;

"(2) techniques for using energy derived from biomass in the production, processing, and marketing of agricultural commodities and forest products, especially techniques that farmers and owners of nonindustrial forestland may use;

"(3) economical ways in which rural communities can use energy derived from biomass;

"(4) the use of wood, especially hardwood, as an economical and energy-efficient material in building construction; and

"(5) energy conservation systems and techniques for farmers, owners of forestland, rural residents, and rural communities.

"(b) Section 1 of the Act of June 29, 1935 (49 Stat. 436, as amended; 7 U.S.C. 427), is amended by inserting after 'irrigation);' in the third sentence the following: 'applied research to develop agricultural, forestry, and rural energy production, use, and conservation;'.

"(c) Section 3 of the Act of March 2, 1887 (24 Stat. 441, as amended; 7 U.S.C. 361c) is amended by—

"(1) in subsection (a), inserting '(1)' immediately after the subsection designation and adding at the end thereof a new paragraph (2) as follows:

'(2) There are further authorized to be appropriated such sums as Congress may determine to be necessary, not to exceed $50,000,000 annually, solely for the purpose of applied research at State agricultural experiment stations to develop agricultural, forestry, and rural energy production, use, and conservation. This authorization is in addition to any other authorization provided in this Act or in other law.'; and

"(2) in subsection (b)(1), striking out 'such sums' and inserting in lieu thereof 'the sums appropriated under subsection (a)(1) of this section'.

"(d) Section 3(a)(1) of the Forest and Rangeland Renewable Resources Research Act of 1978 is amended by inserting 'energy production, conservation of energy,' immediately after 'for timber,'.

"(e) Because biomass energy production must be balanced with food and fiber production and the land on which these two types of production take place is finite, consideration must be given to the land available for both types of production. To ensure that land availability is given appropriate consideration in developing biomass energy production, the Secretary shall (1) include in the research performed under this section analyses of the possible restrictions to biomass energy production due to the unavailability of land, and (2) coordinate such analyses with similar activities under the Soil and Water Resources Conservation Act of 1977 and the Forest and Rangeland Renewable Resources Planning Act of 1974.

"(f) The Secretary shall conduct a study of the feasibility of alternate crop-livestock systems to produce both foodstuffs and fiber for domestic and export markets and biomass for use in the production of energy. The study shall include, but not be limited to, determination of—

"(1) the technical feasibility of such alternate systems;

"(2) the proper use and conservation of soil and water resources for each alternate system;

"(3) potential fuel, livestock, and grain production under such alternate systems;

"(4) the practical farm-level applicability of such alternate systems; and

"(5) potential economic and government-policy initiatives to promote the development of such alternate systems.

The study shall be completed, and a report of the Secretary's findings submitted to Congress, by December 31, 1981.

"AGRICULTURAL, FORESTRY, AND RURAL ENERGY EXTENSION

"SEC. 2032. (a) In order to facilitate the development of agricultural, forestry, and rural energy production, use, and conservation, the Secretary shall implement an agricultural, forestry, and rural energy extension program within the Department of Agriculture in accordance with the Program to disseminate the results of rural energy research performed under this title and encourage farmers, owners of forestland, rural residents, and rural communities to adopt projects for the production and use of energy from biomass, and energy conservation techniques. The program shall include on-site demonstrations of techniques by which farmers and owners of forestland may produce their own energy supplies, energy consumption per unit of production is minimized, and rural residents, businesses, and communities may reduce their energy consumption.

"(b) The Act of May 8, 1914 (38 Stat. 372–374, as amended; 7 U.S.C. 341–349), is amended by—

"(1) striking out in section 1 (7 U.S.C. 341) 'and home economics' and inserting in lieu thereof ', home economics, and rural energy'; and

"(2) adding at the end of section 3 (7 U.S.C. 343) a new subsection (f) as follows:

"'(f) There are further authorized to be appropriated $50,000,000 solely for rural energy cooperative extension work. This authorization is in addition to any other authorization provided in this Act or other law. Such funds shall be used (1) to establish core groups at the State level to—

"'(A) train extension agents in agricultural, forestry, and rural energy production, use, and conservation techniques,

"'(B) develop and manage citizen energy conservation assistance programs at the local level, and

"'(C) perform such other activities as the Secretary of Agriculture determines necessary for the cooperative rural energy extension program; and

"'(2) for the conduct of workshops and provision of other training, dissemination of information, and provision of technical assistance with respect to the production of energy from biomass, as provided in section 2053 of the Food and Agriculture Act of 1977.'.

"(c) The first sentence of section 6 of the Renewable Resources Extension Act of 1978 is amended by—

"(1) striking out '$15,000,000' wherever that figure appears therein, and inserting in lieu thereof '$20,000,000'; and

"(2) inserting before the period at the end thereof the following: ', including $5,000,000 for each such fiscal year for rural energy extension work conducted under this act'.

"COORDINATION OF RESEARCH AND EXTENSION

"SEC. 2033. (a) The research and extension program conducted under this title shall be coordinated with the food and agricultural research and extension activities conducted under title XIV of this act.

"(b) The Board shall consult on a continuing basis with—

"(1) the Federal Subcommittee on Food and Renewable Resources of the Federal Coordinating Council for Science, Engineering, and Technology,

"(2) the Joint Council on Food and Agricultural Sciences, and

"(3) the National Agricultural Research and Extension Users Advisory Board,

for the purpose of coordination of research and extension activities.

"Subtitle E—Wood Energy Development

"WOOD ENERGY CENTERS

"SEC. 2041. (a) The Secretary shall establish four Wood Energy Centers, each in a different geographic region of the United States and located in an area containing substantial amounts of private forestland. To the extent practicable, the Centers shall be established at existing Department of Agriculture facilities for forest research.

"(b) Under the direction of the Board, each Wood Energy Center shall—

"(1) perform applied wood energy production and use and energy conservation research projects that recognize the needs and opportunities of the region in which the Center is located;

"(2) develop and maintain a wood energy research information bank;

"(3) field-test promising research findings on wood energy production and use and energy conservation (including home insulation, industrial energy-efficiency monitoring, and other energy conservation systems and techniques applicable to the region);

"(4) in cooperation with State extension services and through contracts which local entities having the necessary technical resources, provide technical assistance to landowners, colleges and universities, and other interested parties in its region on agricultural, forestry, and rural energy production, use, and conservation, and commercialization of rural energy projects;

"(5) demonstrate wood energy production and use and energy conservation projects, using, to the extent feasible, applied research performed under this title, including, but not limited to, demonstrations of—

"(A) production, transportation, and handling of fuel from wood;

"(B) use of wood energy for industrial parks, rural businesses, and rural communities;

"(C) wood pyrolysis and gasification for crop and lumber drying, poultry housing, and other agricultural uses;

"(D) direct burning of wood for industrial and home use;

"(E) in cooperation with land-grant institutions and State foresters, using privately-owned land voluntarily offered and other land available to the Forest Service, wood energy plantations;

"(F) in cooperation with land-grant institutions, engineering techniques that efficiently use wood for fuel; and

"(G) other projects designated by the Board;

"(6) disseminate information on new energy technologies through the conduct of conferences, seminars, and training programs;

"(7) perform rural energy need analysis for rural residents and communities and State governments within the region; and

"(8) where appropriate, perform similar research, field test, and demonstration programs with respect to agricultural commodities.

"(c) The Wood Energy Centers shall implement the provisions for solar energy model farms and demonstration projects contained in subtitle H of title XIV of this Act.

"(d) Where appropriate, the Wood Energy Centers shall share resources and coordinate efforts with the regional solar energy research, development, and demonstration centers established under section 1455 of this Act.

"(e) There are authorized to be annually appropriated $30,000,000 for the Wood Energy Centers, such sums to be in addition to appropriations for forest research facilities that house the Centers.

"WOOD ENERGY PRODUCTION COST SHARING

"SEC. 2042. (a) The Secretary may establish a wood energy production cost sharing program and may, under such program, enter into agreements with owners of nonindustrial private forestland to share the cost of forest management practices that increase the production of wood for energy.

"(b) Cost sharing under this section shall be available to owners of nonindustrial private forestland, including individuals, groups, Indian tribes or other native groups, associations, corporations, or other legal entities owning 1,000 acres or less of private nonindustrial forestland capable of producing wood for energy. Cost sharing agreements entered into under this section shall be based on individual forest management plans that will ensure maximum development of the land for wood for energy, developed by the landowners in cooperation with, and approved by, the State forester or equivalent State official. The plans shall describe the activities and practices necessary to improve the forestland for the production of wood for energy. Practices eligible for cost sharing shall include, but not be limited to, forestation, timber stand improvement, and forest resources management and protection.

"(c) In return for the agreement by the landowner to implement practices contained in an individual forest management plan, the Secretary shall agree to share up to 75 percent of the cost of implementing those practices set forth in the agreement for which the Secretary determines that cost sharing is appropriate. The portion of the cost, including labor, to be shared shall be set forth in the agreement.

"(d) Technical assistance shall be provided for the cost sharing program under this section by State foresters or equivalent State officials employed under section 2044 of this title.

"(e) There are authorized to be annually appropriated $100,000,000 to carry out this section. The funds available for cost sharing under this section shall be distributed by the Secretary among the States based on the ratio of the acres of nonindustrial private forestland in each State to the total acres of nonindustrial private forestland in all the States.

"FOREST MANAGEMENT LOAN PILOT PROGRAM

"SEC. 2043. (a)(1) In order to encourage owners of nonindustrial private forestland to implement and maintain forest management programs, and thereby increase the production of wood for energy, the Secretary shall conduct a pilot program of financial assistance to owners of nonindustrial private forestland. The program shall include but not be limited to, (A) insured loans and guaranteed loans that provide periodic loan disbursements to participating landowners, (B) consolidation for resale in private capital markets the loan obligations of participating landowners, and (C) loans to Federal or State chartered banks, savings and loan associations, cooperative lending agencies, Federal land banks, or other legally organized lending institutions for the purpose of making guaranteed loans under this section.

"(2) The pilot program shall operate for five consecutive calendar years, beginning with the first full calendar year in which funds are first made available under this section. No new loans shall be insured or guaranteed under this section after the fifth calendar year of operation of the pilot program.

"(3) The Secretary may defer the repayment of principal and interest on loans to landowners insured under this section under such conditions as the Secretary shall deem appropriate.

"(4) Any contract of insurance or guarantee executed by the Secretary under this section shall be an obligation supported by the full faith and credit of the United States and incontestable except for fraud or misrepresentation of which the holder has actual knowledge.

"(5) The provisions of section 310B(d)(6) of the Consolidated Farm and Rural Development Act shall apply to loans insured or guaranteed under this section.

"(b) Any individual, group, Indian tribe or other native group, association, partnership, corporation, or other legal entity owning 5,000 acres or less of nonindustrial private forestland capable of producing wood for energy shall be eligible to receive insured or guaranteed loans under this section if the applicant certifies in writing, and the Secretary determines, that the applicant is unable to obtain sufficient credit elsewhere at rates and terms comparable to those provided in this section.

"(c)(1) The Secretary shall not insure or guarantee a loan in excess of $50,000 to any one eligible landowner under this section.

"(2) The total period of time permitted for repayment for a loan insured or guaranteed under this section shall not exceed 40 years.

"(3) The Secretary may guarantee to any Federal or State chartered bank, savings and loan association, cooperative lending agency, Federal land bank, or other legally organized lending institution not to exceed 90 percent of that portion of the overall loan to a landowner that exceeds the market value of the assets securing the loan in the event of default by the landowner.

"(4) Insured or guaranteed loans to eligible landowners under this section shall be made upon the personal liability of the borrower and shall be secured by (A) the land, (B) the timber grown thereon, or (C) the land and timber with respect to which the loan is made, and such other security as the lender may require. If such loans to landowners are secured by the timber alone, additional security may include insurance on the timber crop against natural hazards, if such insurance is available, or a performance bond on the outstanding loan obligation.

"(5) Loans to eligible landowners guaranteed under this section shall bear interest at rates to be agreed upon by the lender and landowner, but not in excess of such rate as may be determined by the Secretary. Loans insured under this section shall bear interest at rates determined by the Secretary, but not less than such rates as determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted in the judgment of the Secretary of the Treasury to provide for rates comparable to the rates prevailing in the private market and considering the Secretary's insurance of the loans, plus an additional charge prescribed by the Secretary to cover the Secretary's losses and cost of administration, and further adjusted to the nearest one-eighth of 1 percent.

"(6) The landowner shall prepare, keep current, and adhere to an individual forest management plan that shall (A) be developed in cooperation with, and be approved by, the State forester or equivalent State official, (B) describe the activities needed to maintain or increase the productivity of the owner's forestland for the production of wood for energy, and (C) include estimates of the volume of timber to be harvested during the term of the loan and the value thereof. The estimated value so determined shall serve as the basis for determining the principal amount of the loan. The landowner may use the balance of the periodic disbursements received, after bringing interest and any other charge current, in any manner the landowner deems appropriate, so long as the provisions of the management plan and loan agreement are observed.

"(7) Borrowers who sell the forestland with respect to which an insured or guaranteed loan is made before the loan term is completed or who do not carry out the activities prescribed by the forest management plan required by paragraph (6) of this subsection shall make immediate repayment of all principal and accrued interest, plus interest subsidies and other costs that may have been incurred by the Secretary in insuring or guaranteeing the loan, except as provided in paragraph (12) of this subsection. In addition, the Secretary may assess penalties the Secretary deems appropriate upon the termination of the loan or failure by the borrower to carry out the forest management plan prior to the time agreed upon by the borrower and the Secretary or, in the case of guaranteed loans, the lender.

"(8) The amount of the periodic loan disbursement to a landowner under this section shall be based upon the future expected market value of the timber securing the loan, but in no case shall the total principal and interest obligation of the loan exceed 80 percent of the future expected market value of the timber as estimated in the forest management plan.

"(9) Individual loan agreements and forest management plans shall be periodically reviewed by the lender, landowner, and the preparer of the forest management plan. Following such review, except as otherwise provided in this section, the loan period, principal amount, interest rate, and amount and interval of the periodic disbursement may be adjusted as agreed upon by the landowner and lender.

"(10) At the discretion of the lender, loans guaranteed under this section may, upon the application of the landowner, be transferred to, and assumed by, a new nonindustrial landowner who agrees to the terms and conditions of the loan, and assumes any outstanding liability and obligations thereunder, and who otherwise qualifies under this section.

"(11) The borrower may prepay without penalty all or any part of the outstanding loan obligation insured or guaranteed under this section. Income from the sale of timber covered by the loan agreement shall be applied to the outstanding loan obligation. However, periodic loan disbursement may continue over the full term of the loan, even if payments applied to the loan obligation are made during the loan period.

"(12) Except with respect to guaranteed loans, the landowner shall agree that if at any time it shall appear to the Secretary that the landowner may be able to obtain a loan from any Federal or State chartered bank, savings and loan association, cooperative lending agency, Federal land bank, or other legally organized lending institution at rates and terms comparable to those provided for in this section, the landowner shall, upon request by the Secretary, apply for and accept such loans in an amount sufficient to repay the Secretary or the insured lender, or both, and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan.

"(d) To assist in the development of the program and aid in preparing recommendations regarding the continuation and expansion of the program, the Secretary shall appoint a committee, to be in existence through the period of the pilot program under this section, of not less than five persons, including, but not limited to, representatives from public agencies, private lending institutions, private forestry concerns, and individual landowners. The Secretary shall consult with the committee in the preparation of reports required under subsection (f) of this section. The Secretary shall establish procedures for the selection of members and operation of the committee. Individuals who serve on the committee and are not employed by the Federal Government shall be paid such compensation for their services as the Secretary shall determine, but such compensation shall not exceed the daily equivalent of the rate prescribed for grade GS-18 in section 5332 of title 5 of the United States Code per day, and actual necessary traveling and subsistence expenses, or a per diem allowance in lieu of subsistence expenses, as authorized by section 5703 of title 5 of the United States Code for persons in Government service employed intermittently, when assisting in the development of the pilot program away from their homes or regular places of business. The committee established by this subsection shall coordinate its activities with the Board.

"(e) The Secretary shall, in accordance with section 553 of title 5 of the United States Code, promulgate such final rules and regulations as the Secretary deems appropriate to implement the provisions of this section.

"(f) The Secretary shall annually report to Congress on the progress of the pilot program conducted under this section. The first such report shall be submitted upon the completion of the first year of operation of the pilot program. A final report shall be submitted prior to completion of the fifth calendar year of operation and include an evaluation of the pilot program and the Secretary's recommendation on the need for, and the nature and scope of, a permanent forest management loan program.

"(g)(1) The loan program authorized under this section shall be funded using moneys drawn from the Rural Development Insurance Fund established under section 309A of the Consolidated Farm and Rural Development Act and shall be subject to the provisions of that Act governing that fund. The Secretary may use such moneys to (A) make insured loans to eligible landowners under this section, but not in excess of $25,000,000 in total may be expended for such loans annually, (B) guarantee loans to eligible landowners under this section, and (C) loan funds to legally organized lending institutions for the purpose of making guaranteed loans under this section, but not in excess of $10,000,000 in total may be expended for such loans annually.

"(2) There are authorized to be appropriated such sums as may be necessary for administrative and operating expenses under this section and reimbursement to the Rural Development Insurance Fund for funds withdrawn for the operation of the program. Such sums shall remain available until expended.

"ASSISTANCE TO STATE FORESTRY AGENCIES

"SEC. 2044. (a) The Secretary may make grants to State foresters or equivalent State officials for the employment of additional foresters or equivalent State officials to provide technical assistance to owners of private forestland in (1) identifying the opportunities for, and increasing the production of, wood for energy, and (2) in developing individual forest management plans under the wood energy production and energy conservation cost sharing program authorized under section 2042 of this title and the forest management loans under the pilot program authorized under section 2043 of this title, and as necessary and appropriate to ensure the efficient application of forest management practices under such programs.

"(b) The Secretary may take such actions as the Secretary deems necessary to make wood energy use training programs available to State foresters or equivalent State officials. The Secretary shall consult with the Secretary of Energy on training materials and other assistance available from the Department of Energy.

"(c) The Secretary may provide manage-

ment and planning assistance under section 8 of the Cooperative Forestry Assistance Act of 1978 to State foresters or equivalent State officials, upon their request, on State programs relating to the production of wood for energy.

"(d) There are authorized to be appropriated such sums, not in excess of $8,500,000 annually, as are necessary to carry out the purposes of this section.

"(e) In determining the amount of financial assistance to be provided to any State under this section, the Secretary shall consider the quantity of forest growth that is underused, and the potential for use of this material as fuel, in each State, using as a basis for such consideration the Renewable Resource Assessment prepared under section 3 of the Forest and Rangeland Renewable Resources Planning Act of 1974, along with other pertinent information.

"STATE ADVISORY COMMITTEES

"SEC. 2045. The Secretary shall establish permanent State advisory committees in States in which there are significant amounts of nonindustrial private forestland. These committees shall (1) advise the Secretary and the State forester or equivalent State official on its determinations as to the effectiveness of Federal programs designed to assist owners of private nonindustrial forestland in producing wood for energy, (2) determine the potential for development of markets for wood energy, and (3) report its findings on these matters to the Secretary and State forester or equivalent State official every six months. The Secretary shall establish procedures for the selection of members and operation of the committees. State forestry planning committees, where they exist, shall serve as advisory committees.

"FUELWOOD CONCENTRATION AND DISTRIBUTION CENTERS

"SEC. 2046. (a) In order to improve the use of wood, and its wastes and residues, from public and private forestland and provide a ready source of fuelwood for homeowners, the Secretary may make loans to establish fuelwood concentration and distribution centers that make fuelwood available to homeowners.

"(b) Applicants for loans under this section shall be subject to the eligibility requirements for borrowers under section 310B of the Consolidated Farm and Rural Development Act.

"(c) There are authorized to be appropriated for such loans $10,000,000 annually for each of five fiscal years beginning with the fiscal year ending September 30, 1980.

"NATIONAL FOREST SYSTEM ASSISTANCE IN WOOD ENERGY DEVELOPMENT PROJECTS

"SEC. 2047. The Secretary shall make available wood, and its wastes and residues, from the National Forest system to assist in the research, field-tests, and demonstrations authorized under sections 2041 and 2052 of this title. The Secretary may make available the timber resources of the National Forest system, in accordance with appropriate timber appraisal and sale procedures, to commercial enterprises established with loans or grants provided under section 2061 of this title.

"RELATION TO PROGRAM PLAN AND BOARD

"SEC. 2048. The Secretary shall ensure that the implementation and conduct of the programs under this subtitle are (a) in conformity with the Program and (b) under the direction of the Board.

"Subtitle F—Agricultural Biomass Energy Development

"DEFINITION

"SEC. 2051. For purposes of this subtitle, 'agricultural biomass energy' means energy produced from renewable resources other than wood, or their wastes and residues.

"AGRICULTURAL BIOMASS ENERGY CENTERS

"SEC. 2052. (a) The Secretary shall establish four Agricultural Biomass Energy Centers, each in a different geographic region of the United States and located in an area in which there is intensive use of the land for growing agricultural commodities. To the extent practicable, the Centers shall be established as existing Department of Agriculture facilities for agricultural research.

"(b) Under the direction of the Board, each Agricultural Biomass Energy Center shall—

"(1) perform applied agricultural biomass energy production and use and rural energy conservation research projects that recognize the needs and opportunities of the region in which the Center is located;

"(2) develop and maintain an agricultural biomass energy research information bank;

"(3) field-test promising research findings on agricultural biomass energy production and use and rural energy conservation (including home insulation, industrial energy-efficiency monitoring, and other energy conservation systems and techniques applicable to the region);

"(4) train extension personnel to conduct agricultural biomass energy workshops, on the production of agricultural biomass energy, as provided in section 2053 of this title, and develop model training programs for agricultural biomass energy workshops;

"(5) in cooperation with State extension services and through contracts with local entities having the necessary technical resources, provide technical assistance to landowners, colleges and universities, and other interested parties in its region on agricultural, forestry, and rural energy production, use, and conservation, and commercialization of rural energy projects;

"(6) demonstrate agricultural biomass energy production and use and energy conservation products using, to the extent feasible, applied research performed under this title including, but not limited to demonstrations of—

"(A) production, transportation, and handling of fuel from agricultural biomass;

"(B) the use of agricultural energy biomass for industrial parks, rural businesses, and rural communities;

"(C) the use of direct solar, passive solar, wind, and geothermal energy to convert agricultural commodities to fuel;

"(D) wood pyrolysis and gasification for crop drying, poultry housing, and other agricultural uses;

"(E) in cooperation with land-grant institutions, engineering techniques that efficiently use agricultural biomass for energy;

"(F) solar power for crop drying, irrigation pumps, and other purposes; and

"(G) other projects designated by the Board;

"(7) disseminate information on new energy technologies through the conduct of conferences, seminars, and training programs;

"(8) perform rural energy need analyses for rural residents and communities and State governments within the region; and

"(9) where appropriate, perform similar research, field test, and demonstration programs with respect to wood.

"(c) The Agricultural Biomass Energy Centers shall implement the provisions for solar energy model farms and demonstration projects contained in subtitle H of title XIV of this Act.

"(d) Where appropriate, the Agricultural Biomass Energy Centers shall share resources and coordinate efforts with the Regional Solar Energy Research and Demonstration Centers established under section 1455 of this Act.

"(e) There are authorized to be annually appropriated $30,000,000 for the Agricultural Biomass Energy Centers, such sums to be in addition to appropriations for agricultural research facilities that house the Centers.

"AGRICULTURAL BIOMASS PRODUCTION ASSISTANCE

"SEC. 2053. (a) In order to enable the United States, by 1990, to produce annually agricultural biomass energy in amounts equivalent to the energy available from six million barrels of oil, the Secretary shall implement a program, using the State extension services, to conduct workshops and provide other training, disseminate information, and provide technical assistance with respect to the small-scale production and use of ethanol, methanol, low and medium Btu gas, and other energy forms from agricultural biomass (including, but not limited to, compost material). The program shall be conducted in areas of the United States in which there is intensive use of the land for growing agricultural commodities, under the direction of the Board.

"(b) State extension services shall conduct agricultural biomass energy workshops providing (1) instruction to interested parties on the construction and operation of agricultural biomass energy production facilities, and (2) instruction to county extension agents on the conduct of agricultural biomass energy extension on the local level. The State extension services shall use personnel trained at the Agricultural Biomass Energy Centers for the conduct of workshops, but may also contract with colleges and universities, junior colleges, and vocational schools, including vocational agricultural schools, for facilities and additional personnel needed for the workshops. To the extent feasible, each workshop shall be conducted at a location at which an operational agricultural biomass production unit is available. To the extent feasible, not less than 100 workshops shall be conducted annually. At least 5 percent of the county extension agents in each State in which there is intensive use of the land for growing agricultural commodities shall be trained through the workshops on providing the practical training, information, and technical assistance on agricultural biomass energy production required under subsection (c) of this section.

"(c) State extension services shall, at the local level and on a continuing basis, make available practical training, information, and technical assistance to farmers, rural residents, and rural communities on economical and energy-efficient small-scale production of ethanol and other agricultural biomass energy. Such assistance shall include educational programs to inform persons of Federal laws affecting the production, transportation, and handling of agricultural biomass energy products.

"(d) For the purpose of this section, 'small-scale production' means production annually of not less than one thousand gallons, nor more than two million gallons, of ethanol, or, for other forms of agricultural biomass energy, its energy equivalent.

"Subtitle G—Agricultural, Forestry, and Rural Energy Production, Use, and Conservation Loans, Demonstration Grants, and Cost Sharing

"LOANS AND DEMONSTRATION GRANTS

"SEC. 2061. (a) In order to facilitate the development of biomass as a source of energy and improved energy conservation practices and reduce the Nation's need for imports of petroleum and natural gas, the Secretary shall establish projects for rural energy conservation and the production and use of energy from biomass through direct, insured, or guaranteed loans as provided in this section to finance the construction, es-

tablishment, renovation, or operation of commercial or on-farm projects.

"(b) In order to encourage the adoption of biomass energy production and rural energy conservation systems and techniques, the Secretary may make grants for the construction, establishment, renovation, or operation of demonstration projects for the production and use of energy from biomass or rural energy conservation. The total amount of grants for projects in any one State may not exceed $10,000,000 in any fiscal year.

"(c) To the maximum extent practicable, the Secretary shall select for financial assistance under this section projects that (1) show promise of success based on research, field-testing, and demonstrations performed by the Wood Energy Centers and Agricultural Biomass Energy Centers established under this title and (2) carry out the Program.

"(d) Loans may be made or insured, or guaranteed, and grants made under this section—

"(1) with respect to on-farm projects, to any farmer or rancher in the United States, or on-farm, cooperative, or private domestic corporation or partnership that is controlled by farmers or ranchers and engaged primarily and directly in farming or ranching in the United States; and

"(2) with respect to commercial projects, to any domestic public, private, or cooperative organization organized for profit or not for profit, or individual who is a United States citizen.

"(e) No loan may be made or insured, or guaranteed, and no grant may be made under this section unless the Secretary determines that the total energy content of the alternate fuel to be manufactured under the project will exceed the total energy from the petroleum and natural gas used in manufacturing the alternate fuel.

"(f)(1) The total amount of loans made or insured under this section in any fiscal year may not exceed $250,000,000. Not less than one-third of the total amount of loans made or insured under this section in any fiscal year shall be allocated for projects that use wood or wood wastes, and not less than one-fourth of the total amount of loans made or insured under this section in any fiscal year, including loans for projects that use wood or wood wastes, shall be allocated for small-scale production facilities.

"(2) The total amount of loans guaranteed under this section in any fiscal year may not exceed $1,000,000,000. Not less than one-third of the total amount of loans guaranteed under this section in any fiscal year shall be allocated to projects that use wood or wood wastes, and not less than one-fourth of the total amount of loans guaranteed under this section in any fiscal year, including loans for projects that use wood or wood wastes, shall be allocated for small-scale production facilities.

"(3) For the purpose of this subsection, 'small-scale production' means production annually of not more than two million gallons of ethanol, or, for other forms of biomass energy, its energy equivalent.

"(g) The Secretary shall establish such terms and conditions for loans and grants under this section as necessary to implement the purpose of this section and ensure the prompt repayment of loans.

"(h) Insofar as practicable, not less than 75 percent of the loans, loan guarantees, and grants under this section in any fiscal year shall be executed by May 31 of such fiscal year.

"(i) The Secretary may use any agency of the Department of Agriculture—including the Forest Service, the Farmers Home Administration, the Agricultural Stabilization and Conservation Service, and the Rural Electrification Administration—to carry out the loan and grant program under this section.

"(j) The Secretary shall coordinate the loan and grant program under this section with (1) the industrial hydrocarbon and alcohol loan and grant programs under section 1419 of this Act and section 509 of the Rural Development Act of 1972, as added by section 1420 of this Act; (2) the farm loan programs under the Consolidated Farm and Rural Development Act, as amended by section 2062 of this title; and (3) the program for solar energy model farms and demonstration projects under sections 1452 through 1454 of this Act.

"(k) The Secretary may issue such regulations as are necessary to implement this section.

"(l) The provisions of this section shall be carried out through the Commodity Credit Corporation. In making, insuring, or guaranteeing loans under this section, the Secretary may also use the authorities vested in the Secretary under the Consolidated Farm and Rural Development Act. Any contract of insurance or guarantee executed under this section shall be an obligation of the United States and incontestable except for fraud or misrepresentation of which the holder of the contract has actual knowledge.

"CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT AMENDMENTS

"SEC. 2062. The Consolidated Farm and Rural Development Act is amended by—

"(1) inserting in section 303(b)(1) 'for farm operations or' after 'system';

"(2) inserting in section 306(a)(14)(A) '(1)' after 'insure';

"(3) inserting in section 306(a)(14)(A) before the period at the end of the first paragraph the following: '; and (2) loans in the full amount thereof, but not to exceed $25,000,000, to rural electric cooperatives for the construction and operation of electric generating facilities that use nonfossil energy sources including, but not limited to, biomass, wood, peat, and hydropower from small streams and rivers in rural areas'; and

"(4) inserting in the first sentence of section 310B(a) 'commercially-feasible projects for biomass energy production,' after 'control,';

"(5) striking out in section 312(a)(2) 'solar energy' and inserting in lieu thereof 'biomass or solar energy or increases energy conservation';

"(6) inserting '(a)' after the section designation of section 346; and

"(7) adding at the end of section 346 a new subsection (c) as follows:

"'(c) In addition to amounts otherwise authorized, loans for each of the fiscal years ending September 30, 1980, September 30, 1981, and September 30, 1982, are authorized to be insured, or made to be sold and insured, or guaranteed—

"'(1) under the Agricultural Credit Insurance Fund as follows:

"'(A) real estate loans, $50,000,000 for farm improvements that establish nonfossil energy systems on the farm; and

"'(B) operating loans, $20,000,000 for equipment that uses biomass or solar energy or promotes energy conservation,

which amounts, in the discretion of the Secretary, may be used either for insured or guaranteed loans; and

"'(2) under the Rural Development Insurance Fund as follows:

"'(A) industrial development loans, $270,000,000, of which $20,000,000 may be for insured loans and $250,000,000 may be for guaranteed loans, with authority to transfer amounts between such categories, to be used for commercial biomass energy production projects; and

"'(B) community facility loans, $25,000,000 for loans to rural electric cooperatives for electric generating projects that use nonfossil energy, which amount, in the discretion of the Secretary, may be used either for insured or guaranteed loans.'.

"RURAL ELECTRIFICATION DEMONSTRATION GRANTS FOR ALTERNATE ENERGY SOURCES

"SEC. 2063. (a) The Administrator of the Rural Electrification Administration may make grants to owners of rural electric systems eligible to receive loans under the Rural Electrification Act of 1936, or federations of such owners, for projects demonstrating alternate energy and conservation technologies including, but not limited to, small-scale hydropower, geothermal, fuel cell, wind, solar, and wood, peat, and other biomass projects.

"(b) Grants may cover all or a portion of the cost of such projects, including, but not limited to, expenditures for construction and operation, and required economic, environmental, technological, planning, or other studies. Grants may be made alone or in combination with other governmental assistance or private funding.

"(c) Grants shall be made on such terms and conditions as the Administrator considers appropriate to further the purposes of this title.

"(d) There are authorized to be appropriated for purposes of this section $10,000,000 for the fiscal year ending September 30, 1980; $20,000,000 for the fiscal year ending September 30, 1981; $25,000,000 for the fiscal year ending September 30, 1982; and $30,000,000 for the fiscal year ending September 30, 1983. Any amounts appropriated under this section are to remain available until expended.

"LENDING FOR ENERGY PRODUCTION AND CONSERVATION PROJECTS BY PRODUCTION CREDIT ASSOCIATIONS, FEDERAL LAND BANKS, AND BANKS FOR COOPERATIVES

"SEC. 2064. The Farm Credit Administration shall encourage the production credit associations, Federal land banks, and banks for cooperatives to use the existing authority in the Farm Credit Act of 1971 to make loans to farmers for the establishment or operation of commercially-feasible biomass energy production or energy conservation projects.

"AGRICULTURAL CONSERVATION PROGRAM ENERGY CONSERVATION COST SHARING

"SEC. 2065. Section 8 of the Soil Conservation and Domestic Allotment Act is amended by—

"(1) inserting after the word 'conservation' in the first sentence of subsection (b) the following: '(including energy conservation)'; and

"(2) inserting after the first two sentences of subsection (b) a new paragraph as follows:

"The Secretary may provide financial assistance to agricultural producers for the purpose of encouraging energy conservation by sharing the costs and providing technical assistance for (1) the establishment, restoration, and better use of shelter belts to conserve energy in farmsteads, feed lots, and rural residences, (2) the establishment and use of minimum tillage systems, (3) the efficient storage and application of manure and other suitable wastes to the land for land fertility and soil improvement, (4) the use of integrated pest management, (5) the use of energy-efficient irrigation water management, and (6) the establishment of water conservation measures necessary for the improvement of crop yields in relation to the amount of energy used in crop production.'.

"Subtitle H—Effective Date

"SEC. 2071. The provisions of this title shall become effective October 1, 1979.".

● Mr. HELMS. Mr. President, I am pleased to be an initial cosponsor of the Agricultural, Forestry, and Rural Energy Policy Act of 1979. The distinguished Senator from Georgia (Mr. TALMADGE) should be commended for his authorship

of this farsighted and broad approach to our Nation's tremendous energy shortfall. While this legislation will hardly end our energy crisis, it is an important effort to help reduce our dependence on imported petroleum.

Above all else, I am pleased that this bill shows a faith in the efficiency and creativity of private enterprise. We should all know by now that our free enterprise system can produce better products and services faster and at less cost to the public than can government, if only allowed the opportunity. This legislation recognizes that fact and sets out to provide incentives to the private sector, particularly small investors, in helping to work our way out of the energy dilemma in which excessive Government regulation has put us.

Probably the most important thrust of this legislation is its encouragement of extension and research activities, including applied research. Agricultural and forestry energy production systems are already developed to an amazing extent—especially when compared to some of the extremely expensive and far-fetched "synfuel" schemes that are now being widely touted in some circles. We have all witnessed the sale of gasohol and many of us have experienced the advantages that fuel mixture offers. And, in my own State, wood waste is now being used as an economical and environmentally preferable alternative to conventional fuels. Additional research is sure to raise other such alternative means of energy production into a cost-effectiveness range that is competitive with oil at today's prices—and advantages to the supply uncertainties and higher prices to tomorow's oil. Extension activities and grants to State forestry agencies are necessary to deliver our present and future technology to those who can put it to use.

Another result from the research and extension activities authorized in this bill will be the conservation of fuel. USDA officials have stated that by applying energy-saving techniques we now know, rural home energy consumption could be reduced by 40 percent. Significant savings may also be made in fuel consumption through improved farming practices.

While I am proud to serve as a cosponsor of this legislation and enthusiastically endorse its overall intent, I do have some reservations about the loan levels that it would authorize. In addition, minor sections of the bill deserve especially close scrutiny before being passed by the Senate. Of course, ample opportunity for the consideration of my concerns will be available in committee deliberation on the bill. I am confident my concerns will be addressed satisfactorily at that time.●

Mr. McGOVERN. Mr. President, today I am pleased to join with Senator TALMADGE, the distinguished chairman of the Senate Agriculture, Nutrition, and Forestry Committee, to introduce the Agricultural, Forestry and Rural Energy Act of 1979.

This legislation, which is being introduced with the cosponsorship of over 20 Members of the Senate including the membership of the Senate Agriculture Committee, is strong testimony to the far ranging, bipartisan support in this Congress and across the country for rapid alcohol fuel and wood energy commercialization.

Although the synthetic fuel proposals presently being debated in the Senate, may make some contribution to our Nation's energy supply in the long term, alcohol fuels, conservation, and other renewable energy sources are our only hope to make an immediate contribution to the stabilization of the Nation's precarious energy supply. Unlike synfuels, energy from agricultural commodities, wood and wood waste do not require long lead times for construction or extensive research, and generate far less impact to the environment or precious western water supplies.

The Agricultural, Forestry and Rural Energy Act represents a marriage between two important interests on the Agriculture Committee. Senator TALMADGE, who has had a strong interest in energy from wood and wood waste, has initiated several proposals which were incorporated in the final legislation. The bill also includes the important provisions from alcohol fuels and gasohol legislation I had previously introduced. The combination of these earlier proposals have resulted in a comprehensive energy program that can go a long way toward minimizing our dependence on foreign fuels and establishing a firm base of energy security.

Mr. President, I am particularly pleased with the strong commitment in this legislation to small scale alcohol fuel facilities. The bill provides for both direct loans and Federal loan guarantees for alcohol fuel plants, using agricultural commodities, with a capacity of less than 2 million gallons annually. Not only will these provisions provide farmers with another vital market for their products, but it will allow them to become directly involved in the fuel production process. The location of these plants in rural communities will stimulate local and regional economies as well.

At this time, over 25 cooperatives and service stations in South Dakota are marketing gasohol. However, not a single alcohol fuel plant has been located in my State. Although South Dakotans are using gasohol, our farmers products are not being used in the production of this fuel. This legislation will provide the necessary incentive and assistance for the production of ethanol in every State, using the commodities available in those States.

The Agricultural, Forestry, and Rural Energy Act will also provide Federal loan guarantees for the construction of larger alcohol fuel facilities. Perhaps most importantly, this bill will establish four agricultural biomass energy centers, each in a different region of the country. These centers will be charged with providing adequate outreach training for alcohol fuels production, conducting research on new conversion technologies and providing information to the public. In addition, these centers will administer grants for the demonstration of alcohol fuel plants using renewable energy sources, including solar and geothermal energy, for the conversion process.

In short, this legislation comprehensively addresses the need to provide information, training, research, and direct loan assistance for the rapid commercialization of energy from agriculture. In point of fact, this bill addresses all of the present barriers to alcohol fuels development with the exception of the regulatory problems at the Bureau of Alcohol, Firearms, and Tobacco. Unfortunately, this Agency was given only the authority and not the capability to regulate alcohol fuels production. Specifically, the Bureau was only designed to govern beverage alcohol production.

However, I have sponsored a second piece of legislation today with the distinguished Senator from Indiana, Senator BAYH, who is also the Chairman of the National Alcohol Fuels Commission, which should resolve the regulatory nightmare at the Bureau. Consequently, today legislation has been introduced in the Senate, which together, will eliminate all of the barriers to a strong alcohol fuels industry in our Nation. I urge my colleagues to support both of these proposals and work toward the speedy passage of both important proposals.

Mr. HAYAKAWA. Mr. President, I am happy to join my colleague from Georgia, Senator TALMADGE, the chairman of the Senate Agriculture Committee, and other Members of the Senate in cosponsoring the Agriculture Forestry and Rural Energy Act of 1979. This legislation will authorize an agricultural, forestry, and energy program within the Department of Agriculture.

One of the strongest points of this legislation is the involvement of the private sector, especially the private landowner with forested land. In California we have many more small landowners than we do large corporate companies that manage timberlands. Yet many of the small owners, with 40 acres and so on, do not carefully manage these timberlands in the most productive way possible. This bill provides incentive for the small forest landowners in the United States to better manage their lands, and to put them into production.

The small forest landholders own a majority of the forest land in the United States, and yet they produce less commercial timber per acre than either the U.S. Forest Service lands or industry timber lands. However, the potential growth on these privately owned lands is tremendous. In the West, softwood timber—conifers—is usually harvested for the lumber and plywood markets. Hardwoods have had no market outlet in the past. We have many, many acres of hardwoods growing on the land, and they are ready for use.

When softwood is harvested, the less desirable hardwoods grow back and compete with the conifers. Forest lands have to be sprayed to actually kill the hardwoods so that the conifers can grow in their place. At this time we face serious problems with the controversy over the use of the herbicides to control the growth of hardwoods. Perhaps the incentives in this bill for the production of hardwoods for energy will help solve the problem of herbicide use.

This legislation provides for the involvement of the private sector in several ways. There are incentives for the small forest landowners to get involved in the production of timber for fuel in the form of loans, loan guarantees and matching grants. A special emphasis will be made for wood energy projects and a certain percentage of the loans will be set aside for on-farm and small-scale commercial projects. The bill authorizes money for the establishment of fuelwood concentration and distribution centers, and also for the establishment of four agricultural biomass energy centers. It will also provide for the Secretary to set up a workshop and information program. The bill would also authorize loans for projects that use energy derived from renewable resources or that increase conservation for projects on privately owned farms, for rural industrial projects, and to rural electric cooperatives.

Although I have been consistently supportive of synthetic fuels, the recent emphasis placed on this program should in no way dim the great potential we hold with renewable alternative sources of energy. The public needs to be informed of the tremendous benefit of smaller scale utilization of these alternative sources such as fuel from grain and wood, and to be given incentives to make the best use of such commodities. We should not fool ourselves that there is a one-shot answer to our energy situation. It will take input from every available source to regain control of our energy future.

Solar energy seems to be the most popular and perhaps most glamorous alternate currently discussed. I believe that extensive research with solar power should continue. Its potential for meeting long-range energy needs is inexhaustible, but far from being realized at this point. While solar energy appears to be a very promising alternative, we must remember there is substantial cost involved and many technological barriers to overcome in capturing solar energy.

This bill I am cosponsoring will encourage the production of agriculture and forest plant material as alternative energy fuels. These raw materials are presently the most efficient converters of solar energy to usable energy forms. Sometimes in our rush to develop exotic new technologies, we tend to overlook those that have been successful in the past. Forest and agricultural products have always been a major contributor to man's energy needs. Today, we can combine the use of these traditional fuels with existing modern technology to greatly reduce our dependence on fossil fuels.

This bill, the Agricultural, Forestry, and Rural Energy Act of 1979, would designate the Department of Agriculture as the lead Federal agency for the development and production of alternative fuels from agricultural commodities and forest products. It would provide for research extension and conservation activities for agricultural, forestry, and rural energy.

The goals of this program are to have a 50-percent reduction in petroleum and natural gas use by rural residents and communities by the year 2000. This would be achieved by the Secretary of Agriculture, who would coordinate with other Federal agencies to assess our agricultural, forestry, and rural energy needs and resources. He would have the overall responsibility to develop this program for rural energy production, use, and conservation.

I urge the full support of this bill by all who are truly interested in an early solution to our energy problems.

● Mr. PRYOR. Mr. President, I am pleased to join with my distinguished chairman, Senator TALMADGE, and with other members of the Senate Agriculture Committee in sponsoring S. 1775, the Agricultural, Forestry, and Rural Energy Act of 1979. I heartily endorse the concept of utilizing the tremendous energy resources of the agricultural and forestry industries in meeting the energy needs of rural America. The bill establishes a goal of reducing the usage of fossil fuels by rural residents and communities by 50 percent. Achievement of this goal would be a milestone in reducing our country's dependence on Arab oil.

I support the bill's emphasis on small-scale production of alternate fuels from agricultural and forest products. Using existing technologies, these energy resources can be used for on-farm and small commercial applications. As we carefully consider very expensive large scale synthetic fuel facilities, this bill offers an efficient energy program which we can implement immediately.

The funding for applied research and rural energy extension work evidences a commitment to explore new technologies in forestry and agricultural biomass energy utilization. The Extension Service is an excellent delivery system and I support the use of this tool to assure the flow of information to the small timberland and farmland owner.

This legislation marks a commitment to utilize more fully the great agricultural and forest resources as we seek to move toward self-sufficiency in energy.●

● Mr. NUNN. Mr. President, I rise to commend my friend and colleague Senator TALMADGE, chairman of the Senate Committee on Agriculture, Nutrition and Forestry, upon his introduction of the Agriculture, Forestry and Rural Energy Act of 1979. This excellent piece of legislation characteristically reflects the studied analytical approach to national issues which has been the hallmark of HERMAN TALMADGE'S 23-year Senate career.

I believe this is one of the most significant and promising measures thus far proposed to deal with the Nation's energy crisis. There are many exotic energy alternatives which are on the drawing boards and which hold great potential for the future. But this bill concerns itself with something we can do now, and that's what makes the Talmadge proposal so attractive. The most practical solution in the short term to the energy problem and the one which is in the best long-term interest to this Nation is to be found in the development of renewable resources. I agree with the approach taken by Senator TALMADGE. If we are serious about becoming energy independent in this country, then we must proceed vigorously with the large scale development of energy from renewable forest and farm resources. I join Senator TALMADGE in urging the highest priority be given this bill by our colleagues.

The past 18 months have been particularly difficult and painful for the senior Senator from Georgia—he would be the first to admit that—but those of us who have worked closely with him know that the vigor, the dedication, the intensity, and the intelligence that HERMAN TALMADGE has consistently brought to the major problems facing the Nation have never slackened.

For example, during the past year, he has made a significant imprint on a diverse list of major legislation.

In the field of health care, he and RUSSELL LONG have worked together closely—LONG as chairman of the Finance Committee and TALMADGE as chairman of the Health Subcommittee—to provide catastrophic health insurance for families and individuals whose savings and incomes are placed in jeopardy by lingering diseases. This legislation is long overdue.

We have also seen his impact on legislation advocating fiscal responsibility in Government spending. Long before budget cutting became the vogue, HERMAN TALMADGE was advocating a balanced Federal budget as the best way to control inflation and curb runaway Federal spending. Support continues to grow in the Congress for his constitutional amendment which would require a balanced Federal budget, except in times of national emergency. As the ranking member of the Finance Committee, he has demonstrated many times that he is one of the most knowledgeable men in the United States today on economic matters, and one who takes seriously his commitment to fiscal responsibility.

Mr. President, HERMAN TALMADGE has never relaxed his efforts to curb the regulators and has continually insisted the Congress come to grips with its responsibility in the regulatory process. The Talmadge rule, adopted by the Senate, requires the Senate committees to file regulatory impact statements with every new piece of legislation they report. While it may not be the only way to curb excessive Federal regulations, the Talmadge rule is designed at least to stop the problem at its source—the Congress.

Of course, in agriculture, the record of his leadership is well known to the Senate. The Agriculture, Forestry, and Rural Energy Act of 1979, which he has introduced today, is another milestone in a long tradition of legislation designed to benefit rural America and ultimately the entire Nation. Indeed, by latest count, Senator TALMADGE has sponsored or cosponsored more than 40 major laws dealing with agriculture, forestry, feeding, and nutrition programs. His leadership has been especially noteworthy in recent months. On Monday of last week, the Senate passed, by a vote of 64 to 27, an expanded Federal crop insurance program, cosponsored by my colleague, to extend protection against loss by weather and other natural causes to producers of all major agricultural commodities in all counties of the Nation.

Earlier in this session, legislation handled by his committee prevented an across the board reduction in food stamp benefits and increased those benefits to needy elderly and disabled persons who have been hit cruelly by inflationary increases in health care and housing costs. That same bill also provided new machinery for cracking down on food stamp fraud perpetrated by those not deserving the benefits of the program—an area of continuing concern to Senator TALMADGE.

The senior Senator from Georgia was also instrumental earlier this summer in the handling of the multinational trade agreement. This agreement, which Congress overwhelmingly approved before the August recess, is expected to boost U.S. agricultural exports by $500 million a year.

The activities and accomplishments of the Senate Committee on Agriculture, under Senator TALMADGE's leadership, were even more impressive during the last Congress. The list of landmark bills bearing Senator TALMADGE's imprint that became law during the 95th Congress include:

The Food and Energy Act of 1977;

The Emergency Agricultural Act of 1978;

The Agricultural Credit Act of 1978; and

The Agriculture Trade Act of 1978.

Taken together, this body of new legislation brought about the most profound changes and improvements in the Nation's farm programs and policies that have occurred since the 1930's.

The list goes on and on. Suffice it to say that there is not a single sector of American agriculture that has not benefited from legislation that my colleague helped to enact.

There is not a farmer or rancher in this country whose life and livelihood have not been touched in some way by this champion of American agriculture.

But there is one other area of Senator TALMADGE's activities that deserve a special tribute. That is his unstinting support of the school lunch program and other child feeding programs.

During his 23 years in the Senate, Senator TALMADGE has helped to develop and pass perhaps a dozen major school lunch bills. One of the most significant, however, was the National School Lunch Act of 1970. This bill modernized the school lunch program, gave it a national status, provided adequate funding, and provided the foundation for what is generally acknowledged to be one of the most valuable domestic programs of the U.S. Government.

Thanks, in large part, to the efforts of Senator TALMADGE, some 26 million American children today enjoy the benefits of the school lunch program. For many children, the daily hot lunch they get at school is the best, most nutritious and sometimes the only meal they receive.

Members of the Senate and, indeed, every citizen of this Nation owe a great debt of gratitude to the distinguished chairman of the Agriculture Committee. HERMAN TALMADGE finds himself at center stage in an era in which our agricultural capacity to produce food, fiber—and, yes, energy—has become as important to America's future as our industrial capacity and our ability to wage war. Frankly, his is a great responsibility, and I am glad that we have a man of his demonstrated dedication and ability chairing this vital committee.

Let me take this opportunity to express to you, Senator TALMADGE, on behalf of all your friends in Georgia and throughout the country, our deep admiration for you and appreciation for your leadership and service.●

● Mr. BAYH. Mr. President, it is a pleasure for me to join today in introducing the Agriculture, Forestry and Rural Energy Act of 1979 along with Senator TALMADGE, the distinguished chairman of the Senate Agriculture, Nutrition, and Forestry Committee, and Senator MCGOVERN, ranking member of the committee and fellow member of the National Alcohol Fuels Commission. Several committees of the Senate are in the process of drafting legislation to increase domestic energy production and stimulate energy savings through conservation. By introducing this measure today, we hope to address the special energy needs of our rural communities and to tap the resources they can offer us in our quest for greater energy independence.

Mr. President, the Nation has been through a trying year and our rural communities have been acutely affected by soaring energy prices and disruption of supplies. Over and over again, I hear one message from rural Hoosiers: they want a secure supply of fuel to run their farms and tractors, one which is not subject to the whims of foreign governments or the control of the major, multinational oil companies. They want to control their own destiny. And they think they have a partial answer to our nagging energy problems: tapping the abundant, renewable resources, with which our country is so blessed, to create new sources of energy for all Americans.

This is a novel idea, Mr. President, making our Nation's farmers into producers of fuel as well as producers of food and fiber. Yet, I submit it is one of the most exciting and refreshing concepts to be debated in this Chamber for a long, long time. And, after several years of missionary work by some of us, and persistence on the part of the American farmer, the concept is gaining legitimacy and acceptance among policymakers—who have lagged far behind the public in grasping the opportunities that exist in our rural communities—but are beginning to think in new ways.

In this age of high technology and large, centralized energy systems, it has been difficult for some of our "energy specialists" to recognize the practicality, feasibility, and attractiveness of diverse, community-based energy facilities, fed by America's abundant agricultural and forestry commodities and wastes. Yet, to anyone who grew up on a farm, Mr. President, and has witnessed the vast changes, increased productivity, and marvels of science and engineering that have transformed our agricultural sector, the idea of developing new energy crops, farm equipment for harvesting them efficiently, and technology for converting agricultural products and wastes into energy, is entirely plausible and extremely attractive.

Mr. President, it is clear to most of us that there is not going to be one answer to our energy problems, and that future supplies will come from a number of diverse sources. We need to start thinking in new ways and aggressively pursue all of our options. I am convinced that energy from our forests and farmlands can make a major contribution to our future energy mix and go far toward insulating our rural communities from the disruptions we have experienced on almost an annual basis in the 1970's. In fact, Mr. President, I can well imagine a time when both urban and rural communities can approach energy self-sufficiency, using locally available resources to produce energy and by-products suitable for local needs.

In my own State right now, I am working with a number of different individuals, companies, and utilities to study the feasibility of a variety of energy facilities aimed at this goal. One facility would convert municipal waste, whose disposal is now a problem and expense, into methane, to meet local user's needs for secure gas supplies. Others would convert a variety of Hoosier agricultural products and wastes into alcohols and other hydrocarbons usable by farmers and industry in Indiana. Still others would convert high sulfur Indiana coal into gas, a clean fuel. And, finally, 32 Hoosier farmers have been granted permits by the Bureau of Alcohol, Tobacco, and Firearms to produce alcohol for their own use on their farms, while 29 others have applied for such permits.

Each of these projects has the potential for using local resources to meet peculiar community needs. At the same time, each can boost our Hoosier economy by putting more miners to work, providing extra income for Indiana farmers, relieving a major city of its waste disposal problems and providing secure energy supplies at stable prices for a variety of energy consumers.

To me, Mr. President, there is enormous appeal to this regional approach to energy production. At a time when American people have lost confidence in their future, because energy supplies—the lifeblood of our society—are controlled by foreigners and large multinational corporations, the prospect of energy production at the local level is doubly attractive. If successful, it will permit our citizens to regain control over their own lives and fortunes. It will provide farmers, co-ops, local institutions, and small businesses with a new arena for their talents and energies. And it will give local communities the ability to make decisions about how to develop local resources and solve local problems.

Mr. President, the legislation we are introducing today concentrates on energy production in our rural communities. It recognizes that fuels from biomass can make a contribution now; that the feedstocks to produce them are available in meaningful quantities in every region of

the Nation; and that these fuels are the only immediate means of making a dent in our oil imports, or substituting for petroleum products in case of sudden cutoff of foreign oil supplies. While corn has received the most attention as a feedstock for alcohol fuels, there are a wide variety of commodities that can be converted into liquid fuels usable in automobiles, tractors, and utility peaking units right now.

Ethanol can be produced from such diverse sources as corn, wheat, milo, sweet sorghum, sugarbeets, potatoes, algae, distressed crops and crop residues, as well as numerous other "energy crops" that our plant geneticists could develop if given the go-ahead. Methanol can be produced from forestry products, crop residues and wood wastes. The list is growing daily. And, on the horizon, is use of a large number of diverse and inexpensive cellulosic wastes as feedstocks—such as cornstalks, pulp and bagasse from sugar mills, sawmill wastes and small limbs and tree branches, and industrial wastes and trash. Biomass can also be converted into gaseous fuels, substitutable for natural or synthetic gas.

Mr. President, American taxpayers are shelling out upwards of $10 billion to farmers not to grow crops, an irritant to city people and farmers alike. Putting idle land to use by growing energy crops on setaside acreage and marginal lands can help solve our energy problems and give a boost to depressed rural economies and economically strapped farmers all over this Nation. Using agricultural and wood wastes, as well as waste streams in food processing facilities, can supplement rural incomes and create opportunities out of what are now problems.

Mr. President, utilization of fuels from biomass is currently constrained by limited production capacity. Their development reflects the same chicken and egg dilemma evident for most alternative fuel sources today—difficulty in securing capital for investment in production facilities and limited expertise in producing and distributing the fuel.

The bill we are introducing today addresses several areas where a concerted effort is likely to pay off almost immediately in rural energy production and increased efficiencies: financial assistance to those who would like to produce energy from agricultural and forestry commodities; technical assistance to potential producers and users of biomass fuels; and community based, applied research and demonstration programs to develop and test out new technology.

Briefly, the bill would establish an Agriculture, Forestry, and Rural Energy Board within the Department of Agriculture to analyze rural energy needs and resources and develop a renewable resources energy production and conservation program for rural communities aimed at reducing consumption of fossil fuels in rural communities by 50 percent over the next 20 years. The Board would oversee a number of programs of demonstrated need: direct grants, loans and loan guarantees for on-farm and commercial energy production; outreach, information and technical assistance programs based in rural communities for the benefit of potential producers and users; demonstration programs for promising, energy efficient processes; and applied research programs that can quickly be adopted for use by rural residents, businesses, co-ops, and local governments. It would build on the existing system of agricultural extension services and draw on the talent located at our land grant colleges as well as our community and junior colleges, and technical and vocational educational institutions.

Mr. President, this legislation is an action-oriented program. It proceeds on several tracks at the same time, making assistance available to a diverse group of potential producers and users and applied researchers. It is responsive to the needs expressed to me by hundreds of farmers and small businessmen, entrepreneurs, and scientists who have invested a good deal of time and thought to this subject and are directly involved in the movement to produce energy from our farmlands and forests.

I commend our committee chairman, Mr. TALMADGE, for making this legislation a top priority of the Senate Agriculture Committee and am grateful by his intention to schedule it for early consideration. I look forward to working with the committee and the rest of my colleagues in addressing this important issue.●

● Mr. STENNIS. Mr. President, I am pleased to join the distinguished Senator from Georgia (Mr. TALMADGE) and others in sponsoring the Agricultural, Forestry, and Rural Energy Act of 1979. The passage of this bill would be a very important step in our drive for energy independence and I highly commend the Senator from Georgia for his informed and timely interest in this important matter.

As the Senator from Georgia has explained, the bill would require the Secretary of Agriculture to implement, within the Department of Agriculture, an agricultural, forestry, and rural energy production, utilization, and conservation program. The goal would be to assist the United States in achieving energy independence for agricultural and forestry production, processing, and marketing, and a 50-percent reduction in the petroleum and natural gas used by rural residents and communities. It would establish the research, extension, demonstration, and grant programs necessary for the effective implementation of the program and require that the Secretary of Agriculture coordinate these programs.

Mr. President, I believe that we must actively pursue and develop all possible alternatives for petroleum products as a source of energy. For example, I have previously announced my support for a large scale program directed at the development and production of synthetic fuels. However, I believe that it is essential that all programs and measures that will lend encouragement to research into and development and production of alternate fuels be fully explored. The extent and gravity of the energy crisis confronting this country today demands that we leave no stone unturned in our quest for alternative sources of energy.

I share the view of the Senator from Georgia that biomass, or the production of fuels from wood, grain and other products of field and forest, is one of the avenues which must be explored. The production of alternate fuels from agricultural and forestry products offers practical and relatively inexpensive ways of reducing our dependence on foreign oil. The technology for the efficient production of such fuels from wood, grain, and other biomass materials is already substantially developed and is ready for application on the farm and in small commercial activities.

Mr. President, the State of Mississippi has an abundance of agricultural and forestry products which could be used and useful in a biomass development and production program. Despite our rapid progress in other areas, agriculture still remains the backbone of our economy. Therefore, if this bill is passed, as I hope it will be, I would anticipate that my State would play a significant part in the programs which it would provide. We are already very deeply involved in research and experimentation in agriculture and forestry and participation in the biomass program would be a natural and easy step for us to take. This would enable Mississippi to make a further contribution toward solving the energy problem and, at the same time, by providing new and increased use of and markets for products of the field and forest, it would contribute significantly to the economic development as well as industrial expansion and thus would result in added employment opportunities and increased income.

Mr. President, this is a very important and significant bill. I hope that action on it will be expedited so that we can send it to the President for his signature just as soon as possible.●

By Mr. TOWER:

S. 1776. A bill to impose quantitative restrictions on the importation of lamb meat; to the Committee on Finance.

LAMB MEAT QUOTA ACT OF 1979

● Mr. TOWER. Mr. President, I am today introducing legislation that is very important to the well-being of our sheep industry in the United States. Since lamb is now the major product of the American sheep industry, there is much concern that foreign imports have a dramatic effect on the domestic lamb pricing structure.

I am proposing legislation to impose quantitative restrictions on the importation of lamb meat. Over the past several years, the domestic sheep industry has suffered a steady decline in sheep herds. Numbers have declined from 50 million head in 1950 to 11.7 million head in 1978. While the decline has been partly due to inflationary costs and to predation of live sheep and lamb, imports of foreign product, while relatively low, have impeded the ability of the American producer to market his product at a fair price. Import of foreign lamb has jumped from 12.3 million pounds in 1967 to 36 million pounds in 1978, compared to 500,000 pounds of mutton.

Another very serious problem looms on the horizon, and that is that the importation of fresh chilled lamb does not have to be quality graded. Most stores sell only

U.S. choice—USDA quality grade—lamb. However, the imported lamb of unknown quality is being sold right alongside of our fresh product. There exists some question that the imported fresh chilled product may not really be lamb. Before a domestic product can be graded "lamb," the break-joint must break. Lamb have a nonmovable joint above the knee that will break until the animal reaches maturity. This is supervised by a USDA grader at the slaughter facility. The Australians remove the leg above the break-joint so it is impossible to determine the age by this method. I am concerned that the American consumer is not being afforded the opportunity to know if they are selecting an unlabeled imported product or the quality graded fresh domestic lamb product.

Mr. President, the legislation that I am introducing today was recently introduced in the House of Representatives by the Honorable TOM LOEFFLER as H.R. 5127. The legislation will correct the oversight created when this important commodity was omitted from current meat import restrictions by providing a modest limit on the quantity of lamb meat which may enter the United States during any year. This legislation will provide for both the consumer and the producer of lamb by assuring an adequate supply of domestic lamb meat at a fair price while maintaining the stability of our international lamb trade.

In summary, this Lamb Import Act will set total lamb imports in any given year not to exceed either 10 percent of the domestic slaughter of the previous year or 24.5 million pounds—10 percent of 1978 domestic slaughter—whichever is smaller. In order to assure constant supply, the total amount of imported lamb may not be more than one-twelfth of the yearly quota per calendar month. The bill also authorizes the Secretary of the Treasury to provide for the labeling of all imported lamb meat, to the best extent possible.●

By Mr. DOLE:

S. 1777. A bill to amend title 10, United States Code, to authorize reserve enlisted members of the Army and the Air Force to retire with 20 years of service; to the Committee on Armed Services.

EQUITABLE MILITARY RETIREMENT PROVISIONS

● Mr. DOLE. Mr. President, today I am introducing a bill which would serve to correct an inequity in the military retirement system, as appears in the United States Code, title 10. My bill would allow Reserve enlisted members of the Air Force and the Army to retire with an immediate retirement annuity upon completion of 20 years of active duty service. This bill was introduced in the House of Representatives in the 95th Congress and was passed overwhelmingly. Unfortunately, however, the bill was never addressed in the Senate, due to time limitations.

Title 10 of the United States Code provides for retirement eligibility with an immediate annuity after completion of 20 years of active service for Regular and Reserve officers of all services. This includes Regular and Reserve enlisted personnel of the Navy and Marine Corps and Regular enlisted personnel of the Army and the Air Force. However, Army and Air Force Reserve enlisted personnel are authorized retirement pay only at 60 years of age, even though they have completed 20 years of active service.

A RECENT PROBLEM

Until recently this did not pose a problem because the majority of Army and Air Force enlisted personnel who served past their initial enlistment are members of the regular component. However, since 1971 and the coming of the All Volunteer Force, both the Army and the Air Force have enlisted members with prior service and experience to serve a reserve tour for the purpose of performing a special requirement, such as a recruiting position. Many of these individuals had served in World War II and/or Korea, had accumulated considerable active duty service, 14 to 16 years, and, in many cases, were highly decorated. These individuals were not recalled to active duty in the regular component because the Reserve terms were generally shorter and because their specific skills were not needed, at the time, by the Air Force or the Army on a long-term basis. However, as the Reserve recruiting shortages worsened, many were asked to extend their original tours.

In reviewing the history, it appears that the Army and the Air Force Reserve enlisted personnel were not singled out for exclusion of these retirement provisions. Rather, this inequity came about because circumstances for bringing enlisted members on active duty for extended periods has changed. Whether intentional or not, however, the fact still remains that there exists an inequity that needs to be addressed and resolved. When the conditions of service are the same, there should be similar or comparable treatment of members with regard to their service commitment. I do not see how any of my colleagues could dispute this point. It is especially important in today's volunteer environment that members perceive they are entitled to similar and equitable treatment.

With this in mind, I am requesting, through this bill, that enlisted members of the Army and the Air Force who served on active duty for at least 20 years of service be afforded the same treatment and benefits as their counterparts in the other branches of the Armed Forces. While this may not seem like a very crucial issue to some, to those whom this inequity directly affects, it is, understandably, a crucial point. My bill would address this unequal situation by removing specific reference to "regular" enlisted member in the sections of law authorizing retirement benefits. I call upon my colleagues in the Senate to address this inequity and vote for passage of this bill.

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. 1777

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 3914 of title 10, United States Code, is amended to read as follows:

"§ 3914. Twenty to thirty years: enlisted members.

"Under regulations to be prescribed by the Secretary of the Army, an enlisted member of the Army who has at least 20, but less than 30, years of service computed under section 3925 of this title may, upon his request, be retired. A regular enlisted member then becomes a Reserve of the Army. A member retired under this section shall perform such active duty as may be prescribed under law, until his service computed under section 3925 of this title plus his inactive service as a Reserve of the Army equals 30 years."

(b) Section 3925 of title 10, United States Code, relating to the computation of years of service of enlisted members of the Army in determining eligibility for voluntary retirement, is amended—

(1) by striking out "a regular" in subsection (a) and inserting in lieu thereof "an", and

(2) by striking out "regular" in the section heading.

(c) The items relating to sections 3914 and 3925 in the table of sections at the beginning of chapter 367 of title 10, United States Code, are amended by striking out "regular".

SEC. 2. (a) Section 8914 of title 10, United States Code, is amended to read as follows:

"§ 8914. Twenty to thirty years: enlisted members.

"Under regulations to be prescribed by the Secretary of the Air Force, an enlisted member of the Air Force who has at least 20, but less than 30, years of service computed under section 8925 of this title may, upon his request, be retired. A regular enlisted member then becomes a Reserve of the Air Force. A member retired under this section shall perform such active duty as may be prescribed under law, until his service computed under section 8925 of this title, plus his inactive service as a Reserve of the Air Force, equals 30 years."

(b) Section 8925 of title 10, United States Code, relating to the computation of years of service of enlisted members of the Air Force in determining eligibility for voluntary retirement, is amended—

(1) by striking out "a regular" in subsection (a) and inserting in lieu thereof "an"; and

(2) by striking out "regular" in the section heading.

(c) The items relating to section 8914 and 8925 in the table of sections at the beginning of chapter 867 of title 10, United States Code, are amended by striking out "regular".

SEC. 3. The amendments made by this Act shall apply with respect to retired pay payable for months beginning after September 30, 1979, or the date of the enactment of this Act, whichever is later.●

By Mr. BENTSEN:

S. 1778. A bill to limit State severance taxes on energy resources produced from certain Federal lands; to the Committee on Energy and Natural Resources.

● Mr. BENTSEN. Mr. President, the United States owns the world's richest deposits of coal, even richer than the petroleum resources of Saudi Arabia and the entire Middle East. Yet despite our abundant coal resources, each year our Nation slides deeper and deeper into a state of dependence on unreliable energy supplies. Coal production has been stagnated by a quagmire of obstructive State, Federal, and local laws and regulations. Counterproductive Government rules have made coal more difficult to burn and more expensive to produce, pur-

chase, and transport. We have reached the ridiculous situation where it is more convenient and less expensive for utilities in Texas and Florida to purchase imported coal from Poland and Australia.

Much of our Nation's coal reserves, approximately 60 percent, are located on land owned by the Federal Government. Yet, the use of coal from these public lands has been constrained in recent years by a trend in some States to impose extreme and unjustifiable severance taxes on coal extraction. The State of Montana—which accounts for one-quarter of our national coal deposits—has increased its coal severance tax to a phenomenal 30 percent. Another State, Wyoming, has imposed a 17-percent severance tax on Federal coal. Tax rates such as these on coal production from Federal lands amount to little more than unabashed exploitation of national resources and the American energy consumer. Unless we act now to impose Federal limitation on energy severance taxes, it is likely that other States will give way to the temptation to follow in the path of Montana and Wyoming.

I have no quarrel with the concept of State severance taxes on mineral extraction, so long as the taxes are equitable and impose no unreasonable burden on consumers in other States. The industrial operations associated with mineral extraction can place significant demands on State and local services. Severance taxes are an important source of revenues to help compensate a State for the strains placed on its infrastructure.

However, the outrageous taxes in Montana and Wyoming have no realistic connection to the costs of services they provide. In fact, these States already receive significant assistance from the Federal Government to compensate them for the economic impact of coal mining on public lands. Under the Mineral Leasing Act as amended, 50 percent of all Federal royalties from coal are rebated directly to the States as impact assistance. An additional 40 percent of these royalties are placed in a reclamation fund which is used primarily to support water projects in Western States. Finally, State governments receive financial assistance under title VI of the Fuel Use Act of 1978 to ease the impact of mining activities.

Clearly something must be done to put an end to what I believe is flagrant abuse by some States of taxes on Federal mineral production. Today I am introducing legislation which will establish a ceiling rate of 12.5 percent on State severance taxation of energy resources produced from Federal leases and from leases located on Indian lands.

States could exceed the ceiling rate only if they demonstrate that higher tax levels are "fairly related" to the costs of services they provide in connection with the extraction of these minerals from Federal lands. In this way, States would still be permitted to defray the costs of infrastructure and services they provide to support mining activities, without garnering excessive revenues at consumers' expense.

Texas has already accepted such a limitation on severance taxes on natural gas sold out of State. Furthermore, the proposed windfall tax will impose future restraints on crude oil severance taxes.

These energy resources—coal, oil, natural gas, and oil shale—are a national treasure belonging to all the American people. We must not have a domestic OPEC. This legislation will guarantee the future availability of essential energy sources free of confiscatory and unjustifiable taxes. Furthermore, it will help pave the way for greater domestic coal production and reduce reliance on petroleum imports.●

ADDITIONAL COSPONSORS

S. 76

At the request of Mr. STONE, the Senator from Tennessee (Mr. SASSER) and the Senator from Nebraska (Mr. ZORINSKY) were added as cosponsors of S. 76, a bill to amend title XVII of the Social Security Act to authorize payment under medicare for certain services performed by chiropractors.

S. 79

At the request of Mr. HELMS, the Senator from Kansas (Mr. DOLE) and the Senator from North Carolina (Mr. MORGAN) were added as cosponsors of S. 79, a bill to amend the Internal Revenue Code of 1954 to reinstate the nonbusiness deduction for State and local taxes on gasoline and other motor fuels.

S. 219

At the request of Mr. PACKWOOD, the Senator from Texas (Mr. TOWER) was added as a cosponsor of S. 219, a bill to amend the Internal Revenue Code of 1954 to allow the charitable deduction to taxpayers whether or not they itemize their personal deductions.

S. 506

At the request of Mr. BAYH, the Senator from Massachusetts (Mr. KENNEDY) was added as a cosponsor of S. 506, the Fair Housing amendments.

S. 565

At the request of Mr. INOUYE, the Senator from Utah (Mr. GARN) was added as a cosponsor of S. 656, a bill to amend titles XVIII and XIX of the Social Security Act to provide for inclusion of services rendered by a certified nurse-midwife under the medicare and medicaid programs.

S. 959

At the request of Mr. JACKSON, the Senator from Mississippi (Mr. COCHRAN) was added as a cosponsor of S. 959, a bill to amend section 6(e)(2) of the Land and Water Conservation Fund Act of 1965, as amended.

S. 1200

At the request of Mr. BAYH, the Senator from South Carolina (Mr. THURMOND) was added as a cosponsor of S. 1200, the Alcohol Fuels Regulatory Simplification Act.

S. 1215

At the request of Mr. SCHMITT, the Senator from Tennessee (Mr. BAKER) was added as a cosponsor of S. 1215, the Science and Technology Research and Development Utilization Policy Act.

S. 1383

At the request of Mr. MELCHER, the Senator from Florida (Mr. STONE) and the Senator from Montana (Mr. BAUCUS) were added as cosponsors of S. 1383, the Fuel Energy Conservation Act of 1979.

S. 1433

At the request of Mr. PACKWOOD, the Senator from Wyoming (Mr. SIMPSON) was added as a cosponsor of S. 1433, a bill to improve the safety certification procedure used by the Federal Aviation Administration for passenger airplanes.

S. 1553

At the request of Mr. EAGLETON, the Senator from Michigan (Mr. LEVIN) and the Senator from New York (Mr. MOYNIHAN) were added as cosponsors of S. 1553, the Urban Grant University Act of 1980.

S. 1630

At the request of Mr. INOUYE, the Senator from Texas (Mr. TOWER), the Senator from Connecticut (Mr. WEICKER), and the Senator from Nevada (Mr. CANNON) were added as cosponsors of S. 1630, a bill to amend the Internal Revenue Code of 1954 to provide for the designation of income tax payments to the United States Olympic Development Fund.

S. 1647

At the request of Mr. INOUYE, the Senator form Montana (Mr. MELCHER), the Senator from Alaska (Mr. GRAVEL), the Senator from Arizona (Mr. GOLDWATER), and the Senator from Washington (Mr. JACKSON) were added as cosponsors of S. 1647, a bill to establish a commission to gather facts to determine whether any wrong was committed against those American citizens and permanent resident aliens affected by Executive Order 9066, and for other purposes.

S. 1680

At the request of Mr. HATCH, the Senator from New Hampshire (Mr. HUMPHREY) was added as a cosponsor of S. 1680, the Western Lands Distribution and Regional Equalization Act of 1979.

S. 1725

At the request of Mr. NELSON, the Senator from Vermont (Mr. STAFFORD), the Senator from Montana (Mr. MELCHER), and the Senator from New Hampshire (Mr. DURKIN) were added as cosponsors of S. 1725, a bill to amend the Economic Opportunity Act to establish a comprehensive energy conservation services program designed to enable low-income and near-poor individuals and families to participate in energy assistance programs.

SENATE JOINT RESOLUTION 12

At the request of Mr. HELMS, the Senator from New Hampshire (Mr. HUMPHREY) was added as a cosponsor of Senate Joint Resolution 12, proposing an amendment to the Constitution to protect the right to life.

SENATE JOINT RESOLUTION 97

At the request of Mr. DANFORTH, the Senator from Tennessee (Mr. SASSER) was added as a cosponsor of Senate Joint Resolution 97, designating April 13 through April 19 as "Days of Remembrance of Victims of the Holocaust."

AMENDMENT NO. 212

At the request of Mr. SCHMITT, the Senator from New Mexico (Mr. DOMENICI) and the Senator from Delaware (Mr. ROTH) were added as cosponsors of amendment No. 212 intended to be proposed to S. 1020, the Federal Trade Commission Authorization bill.

SENATE RESOLUTION 238—ORIGINAL RESOLUTION REPORTED AUTHORIZING ADDITIONAL EXPENDITURES BY THE COMMITTEE ON RULES AND ADMINISTRATION

Mr. PELL, from the Committee on Rules and Administration, reported the following original resolution:

S. RES. 238

Resolved, That the Committee on Rules and Administration is authorized to expend from the contingent fund of the Senate, during the Ninety-sixth Congress, $50,000 in addition to the amount, and for the same purposes, specified in section 134(a) of the Legislative Reorganization Act of 1946.

SENATE RESOLUTION 239—ORIGINAL RESOLUTION REPORTED TO PAY A GRATUITY

Mr. PELL, from the Committee on Rules and Administration, reported the following original resolution:

S. RES. 239

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay, from the contingent fund of the Senate, to Mollie P. Livingston, mother of Robert L. Livingston, an employee of the Senate at the time of his death, a sum equal to two months' compensation at the rate he was receiving by law at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

SENATE RESOLUTION 240—ORIGINAL RESOLUTION REPORTED WAIVING CONGRESSIONAL BUDGET ACT

Mr. HART, from the Committee on Armed Services, reported the following original resolution, which was referred to the Committee on the Budget:

S. RES. 240

Resolved, that pursuant to section 402(c) of the Congressional Budget Act of 1974, the provisions of section 402(a) of such Act are waived with respect to the consideration of H.R. 3354, a bill to authorize appropriations for fiscal year 1980 for the Department of Energy for the conservation, exploration, development, and use of the naval petroleum and oil shale reserves.

Such a waiver is necessary because section 402(a) of the Congressional Budget Act of 1974 provides that it shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which, directly or indirectly, authorizes the enactment of new budget authority for a fiscal year, unless that bill or resolution is reported in the House or the Senate, as the case may be, on or before May 15 preceding the beginning of such fiscal year.

It was impossible for the Committee on Armed Services to properly review and give adequate consideration to H.R. 3354 before the May 15, 1979, deadline due to the press of other priority legislation, namely S. 428 the annual military procurement authorization bill; and S. 1319 the military construction authorization bill.

For the foregoing reasons, pursuant to section 402(c) of the Congressional Budget Act of 1974, the provisions of section 402(a) of such Act are waived with respect to H.R. 3354 as reported by the Committee on Armed Services.

NOTICES OF HEARINGS

SUBCOMMITTEE ON ENERGY REGULATION

● Mr. JOHNSTON. Mr. President, the Subcommittee on Energy Regulation of the Committee on Energy and Natural Resources wishes to announce that the date of the hearing previously scheduled for Tuesday, October 2, 1979 on S. 1684, the Domestic Refinery Development and Improvement Act of 1979, has been changed to Monday, October 15, 1979, to commence at 9:30 a.m., in room 3110 of the Dirksen Senate Office Building.

Questions about these hearings should be directed to Benjamin S. Cooper or James T. Bruce of the subcommittee staff at 224-9894.●

SUBCOMMITTEE ON GOVERNMENTAL EFFICIENCY AND THE DISTRICT OF COLUMBIA

● Mr. EAGLETON. Mr. President, the Subcommittee on Governmental Efficiency and the District of Columbia will hold a hearing on H.R. 3951 and S. 828, the Metrorail authorization legislation on Friday, September 28, 1979, in room 3302, Dirksen Senate Office Building, at 9:30 a.m. It is expected that the hearing will continue into the afternoon. Witnesses will include Members of Congress; the Department of Transportation; representatives of the affected jurisdictions and the Washington Metropolitan Area Transit Authority. Any questions about the hearing should be directed to Ira Shapiro or Peggy Crenshaw of the subcommittee staff at 224-4161.●

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON RULES AND ADMINISTRATION

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Committee on Rules and Administration be authorized to meet during the session of the Senate today to consider regulations pursuant to Senate Resolution 170 regarding documentation of Senators' office account expenditures.

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

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Energy and Natural Resources Committee be authorized to meet during the session of the Senate today to consider the Energy Mobilization Board legislation.

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

COMMITTEE ON ARMED SERVICES

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Committee on Armed Services be authorized to meet during the session of the Senate today to consider S. 1186, the Defense Officer Personnel Management Act.

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

ADDITIONAL STATEMENTS

REJECT SALT NOW

● Mr. GOLDWATER. Mr. President, of all the stories that have appeared in the daily press on the subject of the SALT II treaty, I believe one of the very best was one in the Wall Street Journal entitled "Reject SALT Now." The Journal correctly sees SALT as an implement which would ratify Soviet gains in central weapons systems and ratify the vacillating foreign policy record of the Carter administration.

I ask that the Wall Street Journal article be printed in the RECORD.

The article follows:

[From the Wall Street Journal, Sept. 11, 1979]

REJECT SALT NOW

The discovery of Soviet troops in Cuba suddenly threatens to become the straw that breaks the back of the strategic arms treaty. Yet the only surprising thing is that anyone should be surprised. Didn't everyone know that the Soviet Union is engaged in a worldwide geopolitical offensive under the umbrella of its massive military build-up? And isn't it equally clear that the debate over whether or not the U.S. will acquiesce to this imperial drive?

As the debate proceeds, both voters and and their representatives are gradually awakening to the realities of our situation. The Cuban issue, and before it the Kissinger-Nunn position of linking support for the treaty to defense budget increases, have been useful steps in the educational process. As debate proceeds further, more people will recognize that the strategic arms negotiations are not incidental to the tipping military and political balance, but instrumental to it.

The treaty as it stands would ratify Soviet gains in central weapons systems. It would also ratify the vacillating foreign policy record of the Carter administration; after all the administration itself bills the treaty as the centerpiece of its foreign policy. Above all, the treaty would stand in the way of future U.S. efforts to rectify the military balance. Rejecting it would be the clearest first step toward reversing the recent adverse trends. All of this is implicit in much of the recent discussion, and it is time the so-far timid critics grasped the nettle and called for a clear and unambiguous rejection.

It is first of all vital to recognize the enormity of the Soviet arms drive. As Henry S. Rowen details nearby, the Soviets are now outspending us by 45 percent on defense, and by 100 percent in military investment. This increasing Soviet power is before our eyes translating itself into greater boldness and greater political influence throughout the world. Cuba of course strikes close to home, but the threat to the Middle Eastern oil lines is even more significant.

We do of course have the option of accepting a Soviet imperium. It is hard to imagine us failing to retain enough power to make it inconvenient for them to land troops on Long Beach or Long Island. But with the Soviets already sending muscle men around our airports and tapping our phone calls, it is not so hard to imagine the U.S. evolving into a big Finland; there would still be elections, but the Soviets would have a practical veto over certain nominees. Our allies would suffer more. The result would be a worldwide erosion, already so evident in the plight of the Indochinese boat people, of those values for which Western civilization has stood: the idea of progress, economic growth, personal freedom, individual liberty.

The other option is to offset the Soviet arms drive with a military buildup of our

own. Senator Nunn's proposed 4 percent to 5 percent real growth in spending, borrowed from a politicized Joint Chiefs, is a creditable start for the next fiscal year. But it will not close the gap. A realistic estimate would be that we need additional military spending of about 1 percent of GNP, moving over a few years from the current 5 percent to about 6 percent. This would still not bring us to Soviet spending levels, but it would make their ambitions for superiority expensive enough to stress their economic system. At that point, they might even become willing to talk about serious arms control.

It is no accident that the unparalleled Soviet military gains coincide with the era of arms negotiation. There is of course no treaty with a clause saying the U.S. can spend only so much on defense and the Soviets can spend 45 percent more. But the dynamics of the process—the attempt to reach a treaty more than the ultimate provisions—have curtailed American military programs There is no more cogent statement of this than the melancholy testimony of Henry Kissinger reprinted alongside. Note well that Mr. Kissinger concludes that on the record the arms control process has restrained the U.S. without restraining the Soviet Union.

This result cannot be overcome simply by a tougher stance in the future, even if by some superhuman effort we could overcome the problems that arise when an open political system negotiates with a closed one. For we are left with provisions that limit U.S. technologies in ways that make them uneconomic to pursue. SALT-I killed the U.S. anti-missile program in precisely this way, and SALT-II threatens both the mobile ICBM and the cruise missile.

It is said that while the SALT-II provisions do not curb the Soviet arms drive, neither do they stop anything the Carter administration wants to build. This is far from clear, witness the reprinted remarks from Soviet Defense Minister Ustinov; obviously the Soviets believe the treaty outlaws the administration's MX missile because of professed difficulties in verifying how many are deployed.

It is said that there will be no renewal of the three-year protocol limiting ground and sea-launched cruise missiles to ranges of 600 kilometers—far less than the new Soviet SS-20 missile already threatening our European allies. Even SALT proponents concede these restrictions are so one-sided they cannot be accepted permanently. But at the very least, the protocol precedent, like the MX verification problem, creates huge bargaining chips for the Soviets. If SALT-III is to ignore the protocol precedent and ratify the MX, what else will we have to give up?

And if all this is laid aside, the fact remains that the Carter administration's plans do not call for a gap-closing effort. Lay aside, too, any of the predictable political effects on future efforts; in congressional budget committees the prospect of SALT-III is already being used to argue against new programs. Even if all this is overcome, SALT-II forecloses options that would be of extreme interest to any future administration interested in closing the gap. For example, it precludes cruise missiles based on short takeoff-and-landing aircraft as an answer to the SS-20 in the European theater.

The real logic of the Nunn-Kissinger requests for more spending is precisely to demonstrate that a gap-closing effort can be mounted within the provisions of SALT. It is up to the administration to demonstrate this by coming up with real programs. So far the administration offers nothing except an offset to inflation to maintain its original plans. This leaves room for a few billion in concessions later, and perhaps the administration can come up with cosmetic concessions on the troops in Cuba. This would test whether Mr. Kissinger and Senator Nunn and Senator Church have the courage of their convictions.

For arms control retains a diffuse popularity. In a nuclear era it is in fact an idea that cannot be permanently abandoned. But witnessing the negotiations over the past decade, real arms control can come only in a new military and political context, when the U.S. has reestablished its determination to avoid one-sided agreements. Many of the timid critics recognize this, but are unwilling to risk the unpopularity of saying so. So they say that we may have to cut off the current SALT talks, but never today, always tomorrow.

Mr. Kissinger, for example, wants the Senate to review Soviet behavior to see whether the negotiations need to be stopped. But in the past few years, Soviet-backed Marxist governments have taken over seven nations. How many would Mr. Kissinger allow before acting? Eight? Ten? Twenty?

Similarly, former UN Ambassador Moynihan, who obviously understands the dynamics, want to stop SALT if the Soviets demonstrate they are not interested in real reductions. They have already, repeatedly and brutally, demonstrated that they are interested in no such thing.

Similarly again with the protocol. The only way we can avoid its renewal is simply to refuse, to scuttle the talks. If that is to be the ultimate outcome three years hence, why wait?

In fact, there will never be an easier time than now. With the Carter administration's clear record on foreign policy, and with a new election pending, there will never be an easier time to signal the need for change. With the Soviets so clearly on the march, there will never be an easier time to demonstrate linkage. With the treaty ratifying the Soviet building plans, there will never be an easier time to send the message that arms control means reductions. With the treaty not yet ratified, there will never be an easier time to insure that the protocol provisions do not become permanent.

There will never be an easier time to start a real national debate on meeting the Soviet challenge, perhaps to put arms control on a more solid future footing, and certainly to insure that we are not bullied and intimidated for the rest of this generation. This requires a sustained effort, and cannot be done with one stroke, but has to start sometime. The clearest, most meaningful and most essential starting place is the Strategic Arms Treaty. Between the clear opponents and the timid critics there are more than enough votes to reject the treaty and do it now; the Senators need only summon the courage to draw the obvious conclusion of their logic.●

NEW NUCLEAR PLANTS WOULD PASS VOTER TEST IN ROCKY MOUNTAIN STATES

● Mr. GOLDWATER. Mr. President, the fastest growing industrial section of the whole United States, namely, the Far West and Southwest, realize that without nuclear power there can be no further advancement in that part of our country. I am very happy to see the results of a poll taken by a very reputable organization, the Rocky Mountain poll, which shows the feelings for and against in the States of which I am speaking, the West where the country is really growing. I would hope that the example of the West and, mind you, we enjoy living as much as anyone else, might serve well to the rest of the country as they are faced with the question of whether they are going to have new electrical sources or just forget about the whole thing and go back to the days of the horse and buggy, steam and no advancement. I ask that the particular part of the poll which pertains to the eight Rocky Mountain States be printed in the RECORD.

The excerpt follows:

NEW NUCLEAR PLANTS WOULD PASS VOTER TEST IN ROCKY MOUNTAIN STATES

[EDITORS NOTE.]—This Rocky Mountain Poll (79 III) is based on 1012 telephone interviews conducted with adult heads of household in the eight Rocky Mountain states. Inteviewing was completed in mid-July. The margin of error for this simple random sample is estimated to be 3.14 per cent at a .95 confidence interval. For information, contact: Earl de Berge, (602) 258-4554.]

Had residents in the eight Rocky Mountain states voted in July on whether or not to permit construction of a new nuclear power plant in their state, a majority in each state would have voted to allow construction to proceed. "In some states such as Arizona, Idaho, Utah and Wyoming, the vote would have been lopsided in favor of construction," observed Earl de Berge, Research Director for the Behavior Research Center, which conducts the independent and nonpartisan Rocky Mountain Poll. "On the other hand, a more closely divided public was found in Colorado, Montana, Nevada and New Mexico," he said.

"If a new nuclear power plant were proposed for your state, would you vote for or against allowing construction to begin?"

[In percent]

	For	Against	Ratio of "For" to "Against"
Region	57	29	1.9
Arizona	59	27	2.2
Colorado	54	31	1.7
Idaho	68	21	3.2
Missouri	55	38	1.4
Nevada	54	39	1.3
New Mexico	53	36	1.5
Utah	55	19	2.8
Wyoming	61	26	2.3

In a related question—whether or not the Three Mile Island Nuclear Plant accident is an adequate or inadequate justification for shutting down all nuclear plants in the United States, opinion in the region remains basically unchanged since April. Thus, 72 per cent said the accident is inadequate justification while 20 per cent perceive it as an adequate justification.

"Is the accident adequate or inadequate justification for closing down all nuclear plants in the United States?"

[In percent]

	July 1979	April 1979
Adequate	20	16
Inadequate	72	77
Not sure	8	7

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PROPOSED ARMS SALES

Mr. CHURCH. Mr. President, section 36(b) of the Arms Export Control Act requires that Congress receive advance notification of proposed arms sales under that act in excess of $25 million or, in the case of major defense equipment as defined in the act, those in excess of $7 million. Upon such notification, the Congress has 30 calendar days during which

the sale may be prohibited by means of a concurrent resolution. The provision stipulated that, in the Senate, the notification of proposed sales shall be sent to the chairman of the Foreign Relations Committee.

In keeping with my intention to see that such information is immediately available to the full Senate, I ask to have printed in the RECORD at this point the eight notifications I have just received. A portion of one notification, which is classified information, has been deleted for publication, but is available to Senators in the office of the Foreign Relations Committee, Room S-116 in the Capitol.

The material follows:

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., September 6, 1979.
In reply refer to: I-6071/79ct.
Hon. FRANK CHURCH,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 79-64, concerning the Department of the Air Force's proposed Letter of Offer to Israel for defense articles and services estimated to cost $29.2 million. Shortly after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

ERNEST GRAVES,
Lieutenant General, USA, Director.

Attachments.

TRANSMITTAL No. 79-64

Notice of proposed issuance of letter of offer pursuant to section 36(b) of the Arms Export Control Act.

(i) Prospective purchaser: Israel.

(ii) Total estimated value Major Defense Equipment*, $28.2 million; Other, $1.0 million; Total, $29.2 million.

(iii) Description of articles or services offered: Six hundred (600) MAVERICK missiles with support equipment.

(iv) Military Department: Air Force (AFK).

(v) Sales commission, fee, etc. paid, offered or agreed to be paid: None.

(vi) Date report delivered to Congress: September 6, 1979.

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., September 6, 1979.
In reply refer to:
I-7477/79.
Hon. FRANK CHURCH,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding under separate cover Transmittal No. 79-67, concerning the Department of the Navy's proposed Letter of Offer to the United Kingdom for defense articles and services estimated to cost $70.0 million.

Sincerely,

ERNEST GRAVES,
Lieutenant General, USA, Director.

Separate cover: Transmittal No. 79-67, Policy Justification.

TRANSMITTAL No. 79-67

Notice of proposed issuance of letter of offer pursuant to section 36(b) of the Arms Export Control Act.

(i) Prospective purchaser: United Kingdom.

(ii) Total estimated value: Major Defense Equipment*, $0.0; Other, $70.0 million; Total, $70.0 million.

(iii) Description of articles or services offered: [Deleted].

(iv) Military Department: Navy (LBF).

(v) Sales commission, fee, etc. paid, offered or agreed to be paid: None.

(vi) Date report delivered to Congress: September 6, 1979.

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., September 6, 1979.
In reply refer to: I-4833/79ct.
Hon. FRANK CHURCH,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 79-68, concerning the Department of the Army's proposed Letter of Offer to Kuwait for defense articles and services estimated to cost $96.2 million. Shortly after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

ERNEST GRAVES,
Lieutenant General, USA, Director.

TRANSMITTAL No. 79-68

Notice of proposed issuance of letter of offer pursuant to section 36(b) of the Arms Export Control Act.

(i) Prospective purchaser: Kuwait.

(ii) Total estimated value: Major Defense Equipment*, $4.5 million; other, $91.7 million; total, $96.2 million.

(iii) Description of articles or services offered: Thirty two (32) Improved Hawk air defense missiles; containers, and telemetry kits; AN/TPS-32 Missile Minder radar modification kits, and spare parts, related support equipment, and program management, training, and technical assistance for two years.

(iv) Military department: Army (UFG, UFH).

(v) Sales commission, fee, etc. paid, offered or agreed to be paid: None.

(vi) Date report delivered to Congress: September 6, 1979.

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., September 6, 1979.
In reply refer to: I-4853/79ct.
Hon. FRANK CHURCH,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 79-69, concerning the Department of the Army's proposed Letter of Offer to Spain for defense articles and services estimated to cost $33.7 million. Shortly after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

ERNEST GRAVES,
Lieutenant General, USA, Director.

Attachments.

TRANSMITTAL No. 79-69

Notice of proposed issuance of letter of offer pursuant to section 36(b) of the Arms Export Control Act.

(i) Prospective purchaser: Spain.

(ii) Total estimated value: Major Defense Equipment,* $32.6 million; Other, $1.1 million; Total, $33.7 million.

(iii) Description of articles or services offered: Two hundred four (204) M113A2 armored personnel carriers (eight equipped as field ambulances), thirty six (36) M125A2 mortar carriers, and eight (8) M577A2 command post carriers.

(iv) Military department: Army (VAY).

(v) Sales commission, fee, etc. paid, offered or agreed to be paid: None.

(vi) Date report delivered to Congress: September 6, 1979.

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., Sept. 6, 1979.
In reply refer to: I-5945/79ct.
Hon. FRANK CHURCH,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 79-70, concerning the Department of the Army's proposed Letter of Offer to Lebanon for defense articles and services estimated to cost $13.9 million. Shortly after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

ERNEST GRAVES,
Lieutenant General, USA, Director.

Attachments.

TRANSMITTAL No. 79-70

Notice of proposed issuance of letter of offer pursuant to section 36(b) of the Arms Export Control Act.

(i) Prospective purchaser: Lebanon.

(ii) Total estimated value: Major Defense Equipment*, $13.5 million; Other, $0.4 million; Total, $13.9 million.

(iii) Description of articles or services offered: Sixty-nine (69) M113A2 armored personnel carriers, twenty-seven (27) M125A2 mortar carriers, and eight (8) M577A2 command post carriers.

(iv) Military Department: Army (UNA).

(v) Sales commission, fee, etc. paid, offered or agreed to be paid: None.

(vi) Date report delivered to Congress: September 6, 1979.

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., September 6, 1979.
In reply refer to I-5970/79 ct.
Hon. FRANK CHURCH,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 79-71, concerning the Department of the Army's proposed Letter of Offer to Malaysia for defense articles and services estimated to cost $8.3 million. Shortly after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

ERNEST GRAVES,
Lieutenant General, USA, Director.

Attachments.

TRANSMITTAL No. 79-71

Notice of proposed issuance of letter of offer pursuant to section 36(b) of the Arms Export Control Act.

(i) Prospective purchaser: Malaysia.

(ii) Total estimated value: Major Defense Equipment,* $7.3 million; Other, 1.0 million; Total, $8.3 million.

(iii) Description of articles or services offered: One million, three hundred thirty-four thousand, eight hundred eighty (1,334,880) rounds of 40mm high explosive ammunition.

*As included in the U.S. Munitions List, a part of the International Traffic in Arms Regulations (ITAR).

(iv) Military department: Army (UGR).

(v) Sales commission, fee, etc. paid, offered or agreed to be paid: None.

(vi) Date report delivered to Congress: September 6, 1979.

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., September 6, 1979.
In reply refer to: I-5987/79ct.
Hon. FRANK CHURCH,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 79-72, concerning the Department of the Army's proposed Letter of Offer to Saudi Arabia for defense articles and services estimated to cost $44.3 million. Shortly after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

ERNEST GRAVES,
Lieutenant General, USA, Director.

Attachments.

TRANSMITTAL NO. 79-72

Notice of proposed issuance of letter of offer pursuant to section 36(b) of the Arms Control Act.

(i) Prospective Purchaser: Saudi Arabia.

(ii) Total Estimated Value: Major Defense Equipment,* $21.1 million; other, $23.2 million; total, $44.3 million.

(iii) Description of Articles or Services Offered: One hundred seventy-two (172) Dragon anti-tank trackers, four thousand two hundred ninety-two (4,292) Dragon anti-tank missiles, and related training and maintenance equipment.

(iv) Military Department: Army (VAA).

(v) Sales Commission, Fee, etc. Paid, Offered or Agreed to be Paid: None.

(vi) Date Report Delivered to Congress: September 6, 1979.

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., September 6, 1979.
In reply refer to: I-4622/79ct.
Hon. FRANK CHURCH,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 79-75, concerning the Department of the Navy's proposed Letter of Offer to Israel for defense articles and services estimated to cost $40.0 million. Shortly after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

ERNEST GRAVES,
Lieutenant General, USA, Director.

Attachments.

TRANSMITTAL NO. 79-75

Notice of proposed issuance of letter of offer pursuant to section 36(b) of the Arms Export Control Act.

(i) Prospective purchaser: Israel.

(ii) Total estimated value: Major Defense Equipment,* $36.0 million; Other, 4.0 million; Total, $40.0 million.

(iii) Description of articles or services offered: Six hundred (600) SIDEWINDER (AIM-9L) missiles with support equipment and services.

(iv) Military department: Navy (AMM).

(v) Sales commission, fee, etc. paid, offered or agreed to be paid: None.

(vi) Date report delivered to Congress: September 6, 1979.

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*As included in the U.S. Munitions List, a part of the International Traffic in Arms Regulations (ITAR).

THE MEXICO CONNECTION

● Mr. DECONCINI. Mr. President, as my colleagues know, I am keenly interested in the many problems associated with illicit narcotics in the United States. My own experiences as a prosecutor suggest that narcotics provides a major (if not the major) source of revenue for organized crime. My experience further suggests that we are becoming complacent about both the narcotics problem and the organized crime problem. I strongly believe that this is the major social issue facing the American people. But before we can take effective action, we need an educated public; a public that understands the menace.

In that respect, I would like to pay tribute to an exceptional piece of reporting in the Arizona Republic. On July 22, they ran an indepth analysis of the drug problem with respect to Mexico and the United States entitled, "The Mexico Connection." Because the article is so excellent and so comprehensive, I believe it should be shared with my colleagues and with other persons interested in this problem. Therefore, I ask, Mr. President, that it be printed in the RECORD.

The article follows:

MEXICO CONNECTION IS MAJOR SUPPLY ROUTE FOR HEROIN TRAFFIC COMING INTO UNITED STATES

Mexico's major export to the United States is a deadly brown powder called heroin.

It is in demand in every state and its consumers steal and kill to get it.

Long a haven for U.S. organized-crime figures, Mexico has been converted methodically into the major source of supply for mobs peddling narcotics in this country.

For at least a dozen years, criminal organizations in the United States have been forging connections with groups in Mexico.

The key reason for emergence of Mexico as a theater of operations for organized-crime figures can be summarized in one word: heroin.

Reductions in the traditional flow of heroin from Turkey to the United States via Marseille, France, in 1972 quickly converted Mexico from a minor source of the narcotic to the major one.

Organized-crime figures in the United States lost no time in staking out their claims to a piece of the illicit action. Existing Mexican narcotics organizations were scrutinized by the U.S. syndicates, who gradually forged links with them.

The operations were conducted in low-key fashion, designed to attract little attention from Mexican officials or the Mexican public, and were characterized by mobility and flexibility, federal authorities say.

Some Mexican trafficking groups, anxious to maximize their profits, formed their own networks in the United States, taking advantage of the insatiable demand for their wares.

The cost of heroin addiction in the United States is incalculable. To the toll in human suffering must be added the massive expenditure on law enforcement and corrections, plus the burden imposed by increased welfare and unemployment costs.

Most addicts don't begin to earn enough money to support their habits. Based on a conservative figure of $50 a day, it would cost the nation's estimated 450,000 addicts more than $22 million daily for heroin.

That $22 million is taken several times over in burglaries and thefts, since those who fence stolen goods pay only a fraction of the legitimate market value.

Arizona's estimated 22,000 heroin addicts are a major factor in the state's consistently high ranking in national statistics for crimes against property, such as thefts and burglars, law enforcement authorities concede.

At $50 a day, Arizona addicts would spend $1.1 million daily—or $400 million a year—on heroin. That compares with the annual Phoenix city budget of $345 million.

The Chicago syndicate has long-standing influence in Mexico, a relationship dating from the days when Sam Giancana, deceased former head of the syndicate, resided in Cuernavaca, Morelos, for several years. Giancana was shot to death in 1975 in the basement of his suburban Chicago home.

Among that syndicate's prominent heroin go-betweens was Arden Lee Smith, a former burglar who estimated he dispatched a half-ton of heroin across the border from his opulent Mazatlan, Sinaloa, home before he was imprisoned at Arizona State Prison in 1977. Law enforcement authorities say the heroin went to syndicate figures such as Tony Spilotro and Frank Pedote.

Other Chicago figures involved in heroin trafficking have included Joseph LoPiccolo, who authorities say has ties to Joseph Bonanno Sr. of Tucson; and Theodore Lawler, who now is facing bank robbery charges.

But the Mexico Connection with Chicago hasn't been limited to those with Italian surnames. Some of the largest trafficking organizations are Mexican groups.

The Herrera organization, which authorities estimate includes about 1,000 persons, is composed of Mexicans from its point of origin in the state of Durango through its major delivery point in Chicago.

The organization suffered a minor setback when its leader, Jaime Herrera, was arrested recently in Mexico, but sources both in Mexico and the United States say he still is able to exert control.

Authorities say there are two other Mexican-controlled organizations bringing narcotics into Chicago that approach the size of the Herrera group.

California is well-represented in the Mexico Connection, with figures from the San Francisco Bay area south through San Diego. They include the Giannoni brothers, Ronald and Emile, a pair of San Francisco narcotics and arms traffickers linked to the Cerrito group of San Jose, law enforcement officials say.

In Los Angeles, the Mexico Connection includes Edward Zuber, who law enforcement agents know is involved in importing heroin and cocaine. Zuber's associates have included syndicate heavyweights Meyer Lansky, recognized as the Mafia's financial wizard, and Florida Mafia figure Santos Trafficante.

Narcotics authorities identify Salvatore Pisello of Los Angeles as a narcotics dealer linked to the Gambino family of New York.

Among U.S. organized-crime figures with ties to Mexico is New Orleans mob boss Carlos Marcello, whose territory includes parts of Texas as well as Louisiana. Among the Texas mobsters for whom Marcello has called the shots, federal authorities say, is Frank Zambito, a U.S. fugitive believed to have a residence in Tampico, Tamaulipas. Zambito has been involved heavily in narcotics trafficking, authorities say.

Trafficante, from his base in Tampa, Fla., appears to determine mob policy for the southeastern United States in concert with Marcello. Federal spokesman say Trafficante, like Marcello, has dealt heavily in narcotics.

Other Florida figures in the Mexico Connection, authorities say, are Sam Cagnina, a

federal fugitive sought on conspiracy charges, and Lansky.

Lansky, who has associated with both Marcello and Trafficante, was observed at a meeting of top organized-crime figures in Acapulco, Guerrero, in 1970. Trafficante and Lansky were in operations together in Havana before Fidel Castro took over Cuba. Today, federal authorities say, they have gambling and other interests at several points in the Caribbean.

Of the five traditional New York families, federal sources name the Gambina, Luchese and Bonanno organizations as most active in the Mexico Connection.

The Gambino family has had the largest contingent. Members of the family with links to Mexico have included Charles Alaimo, Vincent Beltempo, Edward Lino and Joseph Stassi. Other New York traffickers in the Mexico Connection have been Joseph DiPalermo, Paul Oddo and Guido Penosi.

The Cotroni organization of Montreal, which played a major role in establishing the French Connection from Marseille through Montreal in the days when Turkey was still the main supplier of heroin to the United States, also made its connection with Mexico, authorities say. The organization brought the white heroin through Mexico City with the aid of Italian nationals living in that city.

Federal officials in New York say the pendulum has swung in the past year from heavy use of brown heroin back to white. The source now is Southeast Asia.

A leading narcotics official in New York, the capital of heroin use in the United States, said brown heroin was unknown in New York until about 1974. In 1975–76, he said, the heroin coming into the city was almost exclusively brown, with white heroin showing up again in 1977. Now the white heroin accounts for much more of the total than the brown.

U.S. Drug Enforcement Administration authorities say that, despite the scope of the problem, heroin is declining in the United States. In addition, they say a smaller proportion of it is coming from Mexico than did three years ago, when 90 percent of the heroin coming into the United States was from that source.

Authorities say the figure is now about 56 percent.

Law enforcement figures say they are plagued in their efforts to put the major traffickers behind bars by the fact that the longer they traffic, the smarter they get about insulating themselves from situations that could lead to their prosecution.

In addition, prosecutors say, the wheels of justice grind sufficiently slowly in this country that it is not uncommon for major offenders to be out on bond for three years before exhausting their avenue of appeal.

Every major U.S. mobster has his counterpart in Mexico.

Among the major Mexican traffickers are:

Manuel Salcido-Uzueta, a violence-prone heroin trafficker from the historic narcotics heartland of Sinaloa. A federal fugitive in Mexico, Salcido spends most of his time in the Sierra Madre, where he maintains an extensive organization.

Salvador Chavez-Najera, a major supplier of heroin in the Southwest, whose imprisonment in Tijuana, Baja California, has failed to curb his trafficking organization, according to narcotics authorities.

Gil Caro-Rodriguez, a veteran of 10 years of heroin and marijuana trafficking whose network of contacts includes members in Guadalajara, Jalisco, and Tucson.

Enrique Diaz-Garcia, who heads an organization centered in Durango state which, like the Herrera group, handles the heroin from the poppy fields directly through to the marketplace in Chicago.

Jose Teran-Torres, who has been a federal fugitive in Mexico for five years. Narcotics authorities say he handles multikilo lots of heroin and ton-loads of marijuana.

Jorge Favela-Escobosa, one of the old guard from the Culiacan, Sinaloa, area. Favela's organization traffics heroin and cocaine in the United States through the Tijuana, Baja California, area, authorities say.

Alberto Sicilia-Falcon, a trafficker of Cuban descent who authorities say has been able to continue operating his large-scale trafficking organization despite his imprisonment in Mexico City for three years.

Miguel Angel Felix-Gallardo, considered the major mover of cocaine through Mexico to the United States. Authorities say he has contacts in the San Diego area.

The traffic in fugitives goes both ways. One of the largest movers of heroin from northern Mexico is now a fugitive from that country and living in Arizona.

He is Jose Luis Contreras-Subias, who has taken up residence in Tucson. Convicted of narcotics conspiracy charges, he is awaiting retrial stemming from a ruling that narcotics agents suppressed evidence.

LAWS PROVING OF MINOR CONSEQUENCE IN SLOWING KEY NARCOTICS TRAFFICKERS

Take the case of John Gordon Sabari.

Arrested a dozen times in the past 20 years for alleged forgery, robbery and narcotics offenses, Sabari, 40, was profiled as a major Mexican-heroin trafficker in a section on organized crime published by *The Arizona Republic* in June 1978.

Six months before that publication, drug peddling charges against him were dismissed because two government witnesses failed to testify. Sabari today remains in business as big as ever, dealing Mexican brown heroin to the black community along West Buckeye Road and to the West Coast, law enforcement authorities say.

The same situation is true for longtime Sabari associate Freddie McWilliams, also known as "Bubba" and "Blue," authorities say.

Like Sabari, McWilliams, 38, escaped prosecution 17 months ago when government witnesses declined to testify. McWilliams, a former state middleweight boxing champion, has a record of burglary and narcotics arrests dating back 20 years.

McWilliams continues to deal Mexican heroin, police say. Traces of the narcotic were found on McWilliams during a recent search, but no charges were brought against him.

Law enforcement officials at various levels say the list of Mexican-brown peddlers to Arizona's estimated 22,000 heroin addicts goes on. And many major peddlers have hoary criminal records in the state:

Jose Calderon, a major dealer to the Phoenix Mexican-American population, is out and dealing, narcotics authorities say. Calderon has a record of violent and narcotics-related criminal activity spanning nearly 30 years.

Shorty Gomez is out and dealing. "Shorty" is Gilbert Mata Gomez, 41, who was sentenced in 1975 to 10 years in prison for heroin distribution. Gomez also deals primarily to the Valley's substantial Mexican-American population. He has been a source of supply for former Tolleson Mayor Albert Seledon, who also was sentenced to 10 years in prison for distributing heroin. Seledon also is back and dealing, narcotics authorities say.

Abe Saiz, out and dealing. Saiz, 44, has a 20-year record of arrests for alleged burglary, robbery and narcotics dealing and continues to peddle heroin, police say. Again, his customers are primarily in the Mexican-American community.

In Tucson the pattern is the same:

Henry Duarte Yanez, sentenced two years ago to 15 years in prison for conspiracy to distribute heroin, remains out on appeal. Yanez, 37, continues to deal in Mexican brown, authorities say.

Another longtime heroin dealer to Tucson who continues to be active, narcotics authorities say, is Hector Mar Wong, a Nogales, Sonora, restaurateur.

Wong recently was sentenced to six months in prison and fined $9,000 for six violations of firearms laws in this country. Ordered by a federal judge to post a $25,000 appeal bond and to remain in the United States, Wong skipped to Mexico and returned to narcotics trafficking, sources say.

However, narcotics sources say the major heroin dealer in Tucson is a relative newcomer to the scene.

In contrast to Wong, who fled to Mexico to evade U.S. authorities, that dealer, Jose Luis Contreras- Subias, 33, fled to the United States to escape Mexican authorities.

Contreras-Subias, also known as Leonardo Subias-Gonzales, is a Mexican national who has taken up residence in Tucson.

Contreras-Subias has a reputation as a "wild man," law enforcement authorities say. He is alleged to have killed three persons and kidnapped a federal prosecutor in Mexico, where he is wanted on narcotics and homicide charges.

He similarly has failed to show a high regard for the law on this side of the border.

Pima County grand-jury indictments charging Contreras-Subias with armed robbery and kidnapping were dropped last year when a key witness against him declined to testify.

Contreras-Subias last year was convicted in federal court on narcotics-conspiracy charges and sentenced to 10 years in prison. He was accused of plotting to smuggle 12 tons of marijuana and 200 pounds of cocaine into the United States from Panama.

A new trial is pending on the charges after a federal court ruling that narcotics agents had suppressed evidence that might have led to acquittal.

A favorite photograph of Contreras-Subias has him posed in a Nogales brothel with the handle of an automatic pistol protruding from his belt.

"He came out of nowhere in the past three or four years," one source said. He described Contreras-Subias as a violent individual who "rules by intimidation" and who has henchmen to back up his bravado.

Tucson authorities say he may be extradited to Mexico to face charges there after prosecution is completed in this country.

Contreras-Subias seems a "worthy" successor to a major supplier to Arizona and the United States who 10 months ago was halted at mid-career by the Mexican Federal Judicial Police.

That supplier was Pedro Aviles-Perez, who was killed in a gunbattle near Culiacan by the Mexican police. When he died, Aviles-Perez was considered the No. 2 narcotics trafficker in Mexico, a step behind Jaime Herrera-Nevarez and his organization in Durango state.

Manuel Samaniego-Meraz, a longtime narcotics supplier to Arizona from the border area, remains active, narcotics authorities say. Samaniego-Meraz perhaps was best known to Arizona law-enforcement personnel for the sophistication of his electronic equipment.

"He had better radio equipment than we did," one narcotics officer lamented.

Most major Arizona heroin traffickers are well-known to law enforcement authorities, but successfully prosecuting them is another matter, officials say.

They note that the longer a suspect deals narcotics, the more canny he becomes at insulating himself.

Mike Hawkins, U.S. attorney for Arizona, said another difficulty confronting law enforcement personnel is that it takes three

years for a defendant in an ordinary case to exhaust appeal procedures, and all the while the defendant likely is out on the street.

Hawkins said one tool prosecutors plan to use to a greater degree is the Continuing Criminal Enterprise statute, which provides for lifetime parole for major narcotics offenders.

ARIZONA

John Gordon Sabari

Pursuing a career he embarked on more than 10 years ago, Sabari continues to peddle heroin in Phoenix, primarily to blacks in the areas of West Buckeye Road and East Broadway Road, narcotics authorities say.

Sabari, 41, has been arrested a dozen times since 1956 for offenses including forgery, burglary and narcotics dealing.

Narcotics charges were dismissed against him last year after two government witnesses declined to testify.

Associates include Abedon Saiz and Freddie McWilliams.

Fred D. McWilliams

Like close associate John Gordon Sabari, McWilliams was a safe burglar who progressed into narcotics trafficking.

McWilliams, 38, was arrested 14 times for burglary between 1959 and 1969.

He was arrested in 1977 in a massive roundup of major narcotics traffickers by the Federal Drug Enforcement Administration, but charges were dropped when government witnesses declined to testify.

McWilliams deals primarily in the West Buckeye Road area, authorities say.

Jose Angel Calderon

Calderon, 56, has a record of narcotics and other criminal activity covering a quarter century.

He served six months in prison on a narcotics violation in 1954. In 1956 he was sentenced to three years to life in prison for rape and robbery.

He pleaded guilty in 1976 to a cocaine charge and was sentenced to a year in prison.

Calderon deals primarily with the large Mexican-American population in Phoenix, authorities say.

Abedon Saiz

Saiz, 44, has a criminal record in the Phoenix area dating back about 20 years. Offenses show the usual pattern of burglary, robbery and narcotics.

Like many other major narcotics traffickers in the state, Saiz proved much harder to convict than to arrest.

On two occasions, charges were dismissed after key witnesses declined to testify. One of them was found in a shallow grave.

Law enforcement authorities say Saiz uses a core of lieutenants to peddle narcotics primarily to the Mexican American community.

Henry Durate Yanez

Though sentenced two years ago to 15 years in prison for conspiracy to distribute heroin, Yanez remains free on appeal.

Narcotics authorities say Yanez, 37, of Tucson hasn't allowed his pending sentence to deter his narcotics trafficking activities.

Yanez was identified by narcotics authorities as the central figure in a ring shipping heroin to Phoenix and to the San Francisco area.

Jose Luis Contreras-Subias

Contreras-Subias, 33, is an example of a type more prevalent in Mexico than the U.S.: the wild man as heroin trafficker.

Wanted on narcotics and homicide charges in Mexico, where he is alleged to have kidnaped a federal prosecutor and killed three persons, he moved his theater of operations in Tucson.

Charges of armed robbery and kidnaping lodged against him in Tucson were dismissed after a key witness declined to testify. He is currently facing a retrial on narcotics conspiracy charges in Tucson.

MEXICO MAZE—MANY OPIUM-POPPY FIELDS ARE DESTROYED, BUT TRAFFICKERS ARE HARDER TARGET

MEXICO CITY.—Trying to get a handle on heroin trafficking in Mexico is like wandering in one of the labyrinths that are a favorite theme of Latin American authors.

It is an exercise in sorting substance from shadow truth from falsehood, really from appearance.

Some facts seem agreed upon by all, Mexican officials and observers in the United States. There seems no disputing the fact, for example, that an eradication campaign against opium-poppy fields has been quite successful.

Other claims do not jibe as well. Mexican officials contend, for example, that they have run out of business most Mexican traffickers of any stature who were operating a couple of years ago.

Yet reporters for The Arizona Republic found that many major traffickers in Mexico have been fugitives for years, despite that in good macho form, most parade about with armed retinues. The term "skulk" is not known to them.

Further, reporters received reports of prisoners continuing to deal in narcotics during their confinement.

For some, the term "confinement" seemed a misnomer. Jaime Herrera, leading candidate for the title of Mexico's top heroin trafficker, is released nightly from his prison cell, a reliable source revealed.

Another source, long familiar with the narcotics scene in Mexico, put it this way: "They are serious in the eradication program; they're not serious as far as people (major offenders) go."

In gathering information concerning heroin trafficking in Mexico, reporters interviewed Mexico's two top federal officials in narcotics control: Samuel Alba-Leyva, deputy attorney general in charge of narcotics control, and Gen. Raul Mendiolea Cerecero, head of the Mexican Federal Judicial Police. The agencies are the equivalent of the U.S. Drug Enforcement Administration and the FBI.

Asked about the eradication program during an interview in his office in the federal law-enforcement building in downtown Mexico City, Alba-Leyva cordially provided statistics indicating that crops in 70,000 poppy fields were eradicated from November 1976 through November 1978, and an additional 16,752 fields from December 1978 through May 1979.

The statistics indicated that the size of the "fields" may be shrinking. The average area of the 47,063 fields destroyed from November 1976 through November 1977 was 1,984 square meters, or roughly a half-acre. The 23,484 fields destroyed between December 1977 through November 1978 averaged 775 square meters. Finally, the 16,752 fields destroyed from December 1978 through May 1979 averaged 387 square meters, of about one-tenth an acre.

The government eradication program has driven many growers from the traditional growing area along the Sierra Madre Occidental in Sinaloa and adjacent states to new, equally remote sites in the southern states of Chiapas, Hidalgo and Vera Cruz.

Alba-Leyva moved from the subject of poppy eradication to that of stopping major traffickers, about which he talked equally enthusiastically.

Of the 15 major traffickers of two years ago, 11 are in jail, two are dead, and two are fugitives, he told reporters. Asked their names, he mentioned those of Roberto Beltran-Felix, Jorge Favels and Jaime Herrera as being in jail. He cited Pedro Aviles as among those dead. The remainder of the names, he couldn't recall.

"The people financing the operations two years ago are no longer operating," he said.

Of a group of major traffickers studied by *The Republic*, more than one-third were fugitives. The average length of time they had been fugitives was three years, and two had been fugitives for more than five years.

Success against the traffickers has not come cheaply, he noted. He said 15 federal police have been killed during the past two years—two of them two weeks before the interview.

When the interview concluded, he broadly ushered the reporters out. It was well past 9 p.m. as he returned to his office and work.

Meeting Mendiolea was another matter. Reporters were summoned one morning to his office in the same building as Alba-Leyva's only to find themselves quizzed by a lieutenant who, after listening to their reasons for wanting to interview the general, told them they would have to call later.

The general was on a mission south of Mexico City, the lieutenant said. The reporters later learned he was there keeping abreast of an investigation into the slayings of two of his agents.

One morning toward the end of their stay in Mexico City, the reporters got a call at their hotel several miles from the downtown federal offices.

If you wish to see the general, be at the office in 20 minutes, they were told. Prompted by a promise of extra pesos, the cabdriver knifed through the legendary Mexico City traffic, getting to the federal building in time.

After a wait of more than an hour, reporters were escorted into Mendiolea's office. The general, a short, stocky, balding septagenarian, was seated behind a massive desk resting on a polished parquet floor.

Eleven phones of various colors stood on a table behind him. The desk was stacked with papers, and an aide held their corners as Mendiolea signed them.

The general's approach was different from the attorney general's. He didn't offer a handshake or a seat. He demanded credentials. He didn't grant an interview as much as he expounded during interludes between his official duties.

He said there is tremendous cooperation between his office and the Drug Enforcement Administration. He talked of the thousands of fields of marijuana and opium poppies that have been destroyed during the eradication campaign. He talked about major traffickers who have been driven out of business.

The manner of delivery was different from Alba-Leyva's, but the message was the same: Cooperation between the United States and Mexico is great; the eradication campaign has been successful; major traffickers are falling like cordwood.

Much of what the general and the deputy attorney general say is confirmed by U.S. narcotics authorities.

U.S. authorities say the proportion of heroin derived from the traditional growing area, in the Sierra Madre Occidental in Sinaloa and adjacent states has dropped markedly, from about 65 percent to 40 percent.

The curb in poppy growing has reduced violence in Culiacan, a city of 170,000 in the heart of the traditional growing area. Narcotics authorities say in 1977 there were 500 homicides in Culiacan—one for every 340 residents. Many deaths resulted from shootouts on major thoroughfares.

"It's still kind of a base—there's a lot of contacts to be made there," an observer said of Culiacan.

But the growing areas have shifted significantly.

The breakdown now, authorities say, is roughly 40 percent in the Sierra Madre Occidental, 10 percent in the Sierra Madre del Sur in Michoacan and Guerrero, 40 percent

in the jungles of Chiapas, 7 percent in the state of Hidalgo and 3 percent in the state of Vera Cruz.

Operations centers also seem to be shifting, authorities say. Much of the traffic now seems to flow through Guadalajara, which is beginning to take the limelight from better-known centers such as Cullacan and Durango.

The opium poppies are grown in areas that are incredibly remote, accessible only on foot or by air.

One hectare, about 2½ acres, can produce enough opium gum to make a kilogram, or 2.2 pounds, of crude heroin.

For that 2.2 pounds, a farmer can get $4,500.

"A couple hundred grams (a half-pound) brings a fair piece of change," a source noted. "Up in the hills, a few hundred dollars is a fortune."

When it is time to score the opium bulbs and extract the gum—a process that must be accomplished in about two days—many women and children help.

How can these farmers (called "gomeros," from "goma," the Spanish term for gum) be involved in the harvest of such a lethal crop?

"You're talking about people who grew up in a log cabin," one law enforcement official remarked. "They don't know what a city looks like. They have no education.

"It's not that they're immoral. The aspect of morality doesn't enter into it. It has no meaning to them. There is no point of reference."

Major trafficking organizations often establish agreements with gomeros in a specific area. Sometimes the organization will supply seed, irrigation hoses and protection from theft.

From the gomeros the gum moves to the wholesalers, the next step in the hierarchy, who must transport the gum to laboratories for processing.

Laboratories in Mexico are not to be compared with those that existed in Marseille. In Mexico, a lab often consists of a series of pots and pans. The labs generally are operated by chemistry students.

The process takes about three days. The lab operator gets a fixed fee for processing a kilo of heroin.

Despite the crudeness when the process is completed, the heroin jumps in worth to $40,000 to $80,000 per kilo.

Moving the heroin to the U.S. border area is comparatively easy. It moves by train, car, bus, aircraft and sometimes by boat across the Gulf of California.

The price at the border depends on whether U.S. or Mexican traffickers move it across. Some U.S. traffickers, interested in maximum profits, arrange to bring it across themselves. Others don't want to take the risk, and pay a premium for the extra transportation.

A popular gambit is to use female couriers, dividing large amounts of heroin among them, although some traffickers prefer to construct elaborate traps in cars and other vehicles to smuggle larger amounts.

It is here that one again confronts the labyrinthine picture posed by Mexican trafficking. Claims by Mexican officials that the bulk of major traffickers have been shackled skew off contentions by U.S. observers that at least 100 persons in Mexico head organizations capable of supplying multikilo loads of heroin to the United States.

MAFIA IS SMEARING MEXICAN BROWN FROM HARLEM TO LONG ISLAND

NEW YORK.—One-third of the nation's heroin addicts spend their lives in this urban archipelago, from the denizens of Harlem's Lenox Avenue to middle-class junkies in Long Island suburbs.

Heroin hits hardest at the city's minorities. Of New York's approximately 150,000 addicts, about 44 percent are black and 24 percent are Latin, federal narcotics authorities say.

In the narcotics realm, New York is best known as the receiving end of the "French Connection," made infamous by the book and movie of that name.

But much of the heroin making its way to the nation's largest market has in recent years been Mexican brown, which at times has accounted for 90 percent of the total.

Authorities say now it accounts for about 20 percent, the remainder coming from Asia.

The French Connection was forged by the Mafia, which inherited the narcotics traffic from Jewish dealers. In the 1940s and '50s, the traffic was dominated by the city's five Mafia families: those of Joseph Bonanno, Carlo Gambino, Vito Genovese, Thomas Lucchese and Joseph Profaci.

It was the Bonanno family, with its solid connections to the Cotroni organization in Montreal, that was most heavily involved in the French Connection. Bonanno's underboss, Carmine Galante, was one of the finest major dealers to fall when the federal government, aided by new conspiracy laws, began cracking down on the trafficking in the late 1950s.

Convictions of Galante, Genovese and other leading Mafiosi served to dim the Mafia's ardor for narcotics trafficking. The lengthy sentences given out made the enormous profits at stake somewhat less alluring.

Galante was shot to death 10 days ago in a Brooklyn restaurant. Three masked assailants entered the restaurant with shotguns and blasted the Mafia kingpin in what authorities think could be retaliation for recent deaths among members of the Genovese and Gambino families.

However, the notion that the Mafia abandoned the narcotics traffic—a notion given currency by the "Godfather" films—is erroneous.

Members of the five families, particularly the Bonanno and Gambino organizations, continue to deal, U.S. authorities say. But the Mafia no longer maintains anything approaching a monopoly in heroin traffic.

Convictions of top Mafiosi, combined with the influx of Cubans after Castro's takeover of Cuba, de-emphasis of the French Connection due to U.S. pressure on Turkey and other factors have made it more of an open market.

A major pipeline that has brought heroin to New York in recent years was constructed through an alliance of organized-crime figures in the United States and Canada with Mexicans and Italian nationals living in Mexico, according to officials in the three countries.

Although Arizona may seem remote from the Mexico-to-New York heroin connection, the link was brought closer to home with the arrest of several New York and Arizona figures on heroin and other charges. Included were sometime Bonanno lieutenant Charles Battaglia of Tucson and Michele Catalanotto of New York.

Catalanotto, according to federal investigators, is a Sicilian Mafia import involved in a network of smugglers providing heroin in multikilo lots throughout the United States and Canada.

An avowed purpose of the group, narcotics authorities said, was to obtain a connection for heroin in Mexico.

"Mexico and Canada are of strategic importance," said Thomas Puccio, U.S. attorney for New York's Eastern District, which encompasses Brooklyn, Queens and Nassau and Suffolk counties.

"We should be watching them," Puccio said. "There has always been a close relationship between organized-crime figures in Mexico and those in New York—much closer than the European ties."

Puccio said there "was a large Italian community" in Mexico that formed the southern end of a "heavy connection" from Mexico to New York and Canada.

As examples of the Sicilian expatriates at the southern end of the connection, Puccio named Guiseppe Catania, who once operated Le Duc Shirt Shop in the exclusive Zona Kosa section of Mexico City as a sideline to his heroin trafficking, and heroin trafficker Tomasso Buscetta.

The multilingual Catania rented an estate in Mexico for the Cotroni organization, federal sources said.

Heroin, trafficking in New York today is mixed, with some dealing Asian white and others Mexican brown.

"New York didn't have any brown until 1974," one New York source noted. "In 1975 and '76, all there was was brown heroin. In early 1977, white was coming back. Now there's more white than brown."

Federal sources said the Vincent Papa group of Astoria, Queens, has been involved in recent shipments of Mexican brown. Papa, the group's erstwhile leader, was murdered while serving a prison term stemming from a 1972 narcotics arrest.

When arrested, he was carrying a suitcase containing $967,000 in cash.

The Consalvo organization, which distributes in lower Manhattan, Brooklyn and to a lesser extent in East Harlem, also was smuggling Mexican brown, sources said.

In contrast, the Controni organization, which was involved in importing Mexican brown, appears to be dealing white heroin now. Although Mexico is not the source of the white heroin, some of it goes through Mexico en route to the United States, authorities say.

One of the largest Mexico-New York heroin connections of late centered on Antonio Cruz Vasquez of Las Vegas, Nev., also known as "Nico."

It flourished from 1974 through 1978 and included at least a dozen key members, all of whom were indicted on various narcotics charges last year. The ring had the capability of bringing more than 500 pounds of heroin a year into New York, federal narcotics authorities said.

The ring included seven persons from New York or New Jersey, four from Las Vegas, including a vice president and pilot for a charter airline; and an Aero-Mexico ticket manager at the Culiacan, Sinaloa, airport. As with many of the Mexican trafficking organizations, several of the principals were related.

Seizures from the group last year included 45 pounds of nearly pure Mexico brown and $661,000 in cash. Vasquez, the ringleader, was arrested at his $225,000 home in Las Vegas. Federal sources said he maintained a $1 million line of credit at Caesar's Palace, a Vegas casino where he enjoyed playing high-stakes baccarat.

A few months after the Vasquez arrests, a task force of Drug Enforcement Administration agents and New York police finished the investigation that resulted in indictments of 14 persons—five of them women—on charges of conspiring to bring large amounts of brown rock heroin into the United States.

The heroin went to middlemen in Chicago, Los Angeles and San Antonio, Texas, and was distributed in both wholesale and retail lots on the streets of New York. Ringleader of the group, authorities said, was Lydia Melendez Pereira.

Another Mexican heroin peddling ring—this one involving about a dozen persons—had an interesting twist. One of the principals, Clyde Hardy, and a codefendant offered a New Jersey undertaker $5,000 to cremate a body and identify it under one of Hardy's aliases.

According to federal authorities, the undertaker obtained the body of an individual named "Faith Overcome" from a Newark,

N.J. hospital and submitted it for cremation at a Linden, N.J., cemetery.

His "body" cremated, Hardy adopted the name Henry Scott and continued to peddle Mexican brown in the New York area, authorities said. Hardy was discovered, however, and he and other members of the ring were charged with various narcotics offenses.

A third recent Mexican heroin distributing group is the Valenzuela organization, headed by Jose Valenzuela.

The organization operated laboratories in Culiacan, Sinaloa, from which the heroin was brought to Bakersfield, Calif., and then to New York. Federal authorities estimated the organization brought a half-ton of heroin into New York.

Federal prosecutors said Valenzuela paid cash for a $350,000, two-acre estate in San Marino, bought $66,000 in furniture and purchased automobiles valued at $150,000.

Canada's heroin problem, once confined to the three major urban centers of Montreal, Toronto and Vancouver, has spread in recent years to smaller cities and rural areas. Narcotics authorities think much of the burgeoning problem can be laid to the Cotroni organization, a Mafia contingent centered in Montreal.

The Cotroni name is well-known to narcotics authorities in Mexico.

Frank Cotroni, a major target of narcotics investigators for 15 years, recently was released after serving time on a narcotics conspiracy charge. He was indicted as part of a conspiracy that included several Canadians, New Yorkers and Mexicans.

The narcotics involved had been shipped from Marseilles to Mexico City, then to Montreal.

A 1970 meeting in Acapulco—one of the largest gangland gatherings since the infamous Appalachian meeting in 1957—drew little national attention despite the presence of some of the most notorious mobsters on the Eastern Seaboard.

Hosted by Canadian expatriate Leo Bercovitch, the meet drew mob luminaries Vincent Cotroni, Paul Violi (recently shot to death) and the ubiquitous Meyer Lansky.

There is a theory among law enforcement authorities that Galante may have been the mastermind in a resurgence of the heroin traffic—again through an alliance with the Cotronis.

The many murders among the ranks of New York's Mafiosi and their associates in recent years had prompted law enforcement authorities to think that Galante was consolidating his control of narcotics territory held by other organizations—notably the Genovese and Gambino families.

Galante's death 10 days ago is the most recent in a series of gangland slayings that authorities think are related to efforts to control the New York heroin traffic. Authorities think some of the deaths were ordered by Galante.

Two cases in point are the Consalvo brothers, Carmine and Frank, dubbed by New York narcotics officers as "The Flying Consalvos." Both were members of the Gammino family, both died when they "leaped" to their deaths.

Carmine Consalvo, credited with a large role in opening up the Mexican Connection to New York, plunged to his death from his 24th-floor apartment in Fort Lee, N.J. Police called the death a suicide, but some law enforcement authorities were more skeptical.

That skepticism seemed warranted when Frank Consalvo dropped to his death from the roof of a tenement in Manhattan's Little Italy.

These deaths were followed by others in the Gambino and Genovese families and others in the Bonanno organization, formerly headed by Galante.

NEW YORK

Joseph Stassi

Stassi, 72, is a veteran of the old-line Mafia troops who formed the original "five families" of New York. Over the years he transferred his base of operations to Union County, N.J.

A member of the Gambino family, he was one of the many hoods run out of Havana after Castro's takeover of Cuba. Stassi was involved in operating gambling casinos there with Tampa, Fla., mob boss Santos Trafficante.

Stassi was picked up on his first major narcotics arrest in a Pompano Beach, Fla., hideout in 1966. He had been indicted three years earlier but had managed to evade federal authorities until the Florida arrest.

Stassi was convicted of conspiracy to smuggle 22 pounds of heroin across the Mexican border. At the time the heroin was seized it was described by federal authorities as the biggest border heroin haul ever.

Stassi eventually got an 18-year prison sentence for conspiracy, but not even prison deferred him from drug trafficking.

While in federal prison in Atlanta he was accused of conspiring to bring 13 pounds of heroin into the United States, and again received a lengthy prison sentence.

Stassi also was believed by law enforcement authorities to be involved in the 1963 disappearance of nightclub booking agent Kenneth Later, who had made several trips to Mexico that authorities believed were connected with Stassi's narcotics trafficking. Later's remains were discovered in a mob burying ground in south New Jersey four years later.

Stassi also has been convicted of perjury and carrying a concealed weapon.

Paul J. Oddo

Oddo, 62, was the New York connection in a major heroin- and cocaine-smuggling operation that was directed from Montreal and brought in narcotics from Mexico.

The operation was coordinated by the same group that constituted the Canadian link of the infamous French Connection. Headed by Frank Cotroni, it was the machinery set in motion by Joseph Bonanno Sr. of Tucson, along with the late Carmine Galante, Bonanno's underboss, and their New York Mafia family.

The ring relied on narcotics brought across the border, generally by car from Mexico to Texas. Among the Mexican sources of the ring were Jorge Asaf y Bala and Guiseppe Catania.

From Texas, the narcotics were flown to New York, where their distribution was supervised by Oddo. His associates include Cotroni, Frank Dasti and numerous other organized crime figures.

Oddo is on parole after serving a prison term for possession of 22 pounds of heroin.

Charles J. Alaimo

Alaimo, 42, a member of the Gambino Mafia organization of New York, is a major financier and distributor of heroin, according to federal and local authorities.

They say he has obtained Mexican heroin through Gambino family-member Salvatore Pisello of California. Alaimo reportedly is in line to take over the Consalvo heroin trafficking organization, which has been riddled in recent years by the deaths of several key members.

Alaimo frequents Miami, Tampa and Fort Lauderdale in Florida, as well as New York, and has been involved in the trucking and auto rental businesses.

He has been arrested for burglary and was once held as a material witness in the gangland murder of a friend. He was indicted in 1975 for conspiring to import 54 pounds of heroin, but the trial resulted in a hung jury.

Aliases include Charles Wings, Nathaniel Herman, Charlie Wino, Charlie King, Charles Alarimo, and Charles Allimo.

Associates include Charles Anthony DiPalermo, Vincent Beltempo, Edward Lino, Anthony Salerno and Joseph Stassi.

Charles A. DiPalermo

One of the notorious narcotics-trafficking "Beck brothers," Charles DiPalermo has been a stalwart in the heroin-peddling trade for two decades.

He is an old-line New York associate of organized-crime luminaries such as Joseph Bonanno Sr., Natale Evola, the late Carmine Galante, and Vito Genovese.

He served eight years of a 12-year prison sentence he received in 1959 for participating in a heroin-smuggling ring headed by Genovese, then the nation's most prominent Mafioso. Other DiPalermo associates have included Aniello Dellacroce, Vincent Rao, Vincent Tuminaro and Charles Alaimo.

According to federal officials, DiPalermo has received Mexican heroin from Alaimo and his associates. Alaimo and DiPalermo reportedly have been involved in business ventures together in Florida.

DiPalermo was arrested in 1975 on Long Island by law enforcement officials who claimed to have found 25 pounds of heroin and $166,000 at the scene. He pleaded guilty to attempting to buy heroin and is now serving a prison sentence.

Guido Penosi

Penosi is a vicious thug who turned to heroin trafficking in his ripening years.

Known in his youth as "The Bull," Penosi headed a group called the Homicide Kids in New York's East Side. He spent 15 months in reform school for killing a grocer during a holdup. He was 15 at the time.

At 20, he was working as a bookie and passing phony 10- and 20-dollar-bills when he was arrested on counterfeiting charges, according to federal authorities.

His heroin sources in Mexico have included Jorge Asaf y Bala. Associates in this country are widespread, ranging from mob financier Meyer Lansky to Thomas Amato of the Marcello family of New Orleans, plus numerous members of the Cotroni organization of Montreal and the Gambino family of New York.

Matthew Madonna

Madonna was one of several major New York drug traffickers who picked up early on the advantages of Mexico as a narcotics source after the French Connection was choked off in 1972. The following year he was reported traveling in Mexico to get heroin and cocaine.

Federal sources claim he was the main source of supply to Leroy "Nicky" Barnes, the king of Harlem dope peddlers who gained notoriety as "Mr. Untouchable" for evading police attempts to convict him on drug charges for more than a decade.

But justice finally caught up with Madonna, as it did with Barnes. Madonna is now serving a 30-year sentence for conspiring to import $10 million worth of heroin from Thailand. Barnes, for his part, was given a life sentence.

Madonna's associates are widespread and included the late Carmine Galante of New York and members of the Civella crime organization of Kansas City.

Edward C. Lino

Lino, a Brooklyn resident, is a longtime member of New York's heroin-peddling fraternity.

He is the uncle of the late Carmine Consalvo, a member of the Gambino family who took a fatal plunge three years ago from the 24th floor of a New York apartment building. There was conjecture as to whether Consalvo, who was under indict-

ment at the time for allegedly smuggling $30 million worth of heroin, jumped or was pushed.

Lino was director of distribution for the Consalvo heroin-smuggling organizations. According to federal authorities, he had traveled to Acapulco and to Italy in connection with heroin shipments.

Authorities say Lino has continued to be a force in the successor organization. Criminal associates include Vincent Beltempo, Charles Alaimo and Salvatore Pisello.

Vincent J. Beltempo

A convicted heroin peddler, Beltempo deals in heroin and cocaine, law enforcement authorities say.

He was involved in the Consalvo organization with dope-peddlers Edward Lino and Charles Alaimo, according to authorities. He is considered a contender for a top spot in their organization, which has been riddled by the deaths of key figures. He also has ties to the Tuminaro and Di-Palermo narcotics smuggling organizations.

Beltempo was convicted in 1971 of conspiracy, sale of heroin and violation of federal narcotics tax laws.

MONTREAL

Frank S. Cotroni

Cotroni is one of several Montreal brothers who, law enforcement authorities say, oversee organized crime operations in Montreal.

The Cotroni organization has been closely related to the Bonanno family of New York, formerly headed by Joseph Bonanno Sr. of Tucson. The relationship, which languished in the 1960s after Bonanno was deposed from leadership of the family, was renewed when Bonanno's old underboss, Carmine Galante, came out of prison in 1974 and assumed the helm.

Galante was killed 10 days ago in New York.

The Cotroni organization formed the Montreal link in the infamous French Connection from Marseille to the United States, but like many heroin traffickers, the group shifted its focus to Mexico when Turkey, the source of heroin processed in Marseille, temporarily cut off its supplies.

Both Frank and Vincenzo Cotroni traveled frequently to Mexico, according to federal agents, attending meetings in Acapulco with Leon Bercovitch and others.

Other associates of Cotroni have included Paul Violi, Jorge Asaf y Bala, Guido Orsini, Frank Dasti and Tommaso Buscetta.

Frank Cotroni was a major target of narcotics investigators for at least 15 years before a recent conviction for narcotics conspiracy, for which he served a prison term.

However, federal authorities say his organization still brings narcotics in from Mexico.

Vincenzo Cotroni

Born in southern Italy a stone's throw from Sicily, Cotroni is a naturalized Canadian who with his brothers Frank and Guiseppe established a crime federation in Montreal to rival any in North America.

Involved with brother Frank in international narcotics traffic, he supplied major Mafia figures in the United States with French-Corsican heroin. He switched to Mexican heroin when supplies grew tight in Europe.

His criminal record dates to 1928 and includes arrests on charges of rape, counterfeiting, theft, receiving stolen property and narcotics conspiracy.

He has traveled to Mexico on narcotics business. Associates include Meyer Lansky, Paul Cioli, Guido Penosi, Guido Orsini and Frank Dasti.

Frank Dasti

A member of the Cotroni organization, Dasti, 65, negotiated narcotics deals in Mexico with Jorge Asaf y Bala, according to federal authorities.

A resident of Montreal and New York, Dasti moved heroin from Mexico to the Cotronis and associates in the Canadian city.

Other associates include Vincent Altamura, Guido Penósi, Guido Orsini and Paul Oddo.

Dasti now is serving time for conspiracy to import and distribute heroin.

Guido Orsini

Orsini, 43, is another member of the Cotroni group with ties to Mexican heroin traffickers.

Federal authorities say he obtained heroin from Jorge Asaf y Bala, Guiseppe Catania and Claudio Martinez de Pinillez.

Canadian associates, they say, are Frank and Vincenzo Cotroni, Frank Dasti, Paul Oddo and Anthony Vanacore.

Orsini is a federal fugitive. He was sentenced in 1974 to 22 years for heroin trafficking.

Anthony Vanacore

One of several members of the Cotroni organization of Montreal who are involved in narcotics trafficking, Vanacore has acted as a liaison with some of Mexico's more prominent heroin dealers.

Among his Mexican contacts were Jorge Asaf y Bala and Guiseppe Catania, who has been a prime source of supply for the Cotroni organization.

Canadian associates include Frank Dasti and Frank Cotroni.

Nicholas Rizzuto

Another member of the Cotroni faction, Rizzuto is believed by federal authorities to be a significant cog in the international narcotics traffic between Mexico and Canada.

His most recent arrest was in 1972, when he was picked up in Paris with $1 million in counterfeit currency. Authorities believe the phony money was intended for use in narcotics transactions.

Mexican connections have included Guiseppe Catania and Claudio Martinez.

Rocco Violi

Next to the Cotronis, the Violi brothers have been the leading family group in the Montreal organized crime scene.

The Violi clan has been decreased by recent deaths. Paul Violi, who reportedly was vying for the top position in the Cotroni organization, was shot to death by two hooded men last year at a snack bar next to his Montreal ice cream parlor. A year earlier, younger brother Francesco was shot to death in the office of a Montreal business.

According to federal authorities, Paul Violi was one of the mob chieftains who established channels to Mexican narcotics traffickers. He reportedly met in Acapulco with other members of the Cotroni faction and Mexican organized-crime figures. His contacts have included Meyer Lansky, mob financier, and Mafia don Joseph Bonanno Sr. of Tucson.

Rocco, in addition to activity in Mexico, made connections with several U.S. organized-crime factions. His Mexican contacts have included Evangelista Sagnelli and Ruben Zuno-Acre.

MEXICO

Alberto Sicilia-Falcon

Although his base of operations was Mexico, Sicilia, 35, is perhaps the best example of the many individuals of Cuban descent who have risen to prominence in the heroin business.

Sicilia is also illustrative of another phenomenon: the ability of traffickers in Mexico to keep their hats in the narcotics ring despite such impediments as imprisonment.

Sicilia has been in prison in Mexico City for more than three years, except for an interlude when he escaped for about 24 hours.

But despite his imprisonment, Sicilia's organization of about 50 persons—still controlled by him to a large degree—continues to operate, narcotics authorities say. They say it has shifted its operation more into cocaine trafficking.

Authorities credit Sicilia with moving in excess of $300 million worth of heroin into the United States by the traditional route from Sinaloa through Tijuana.

Arturo Izquierdo-Ebrad

Izquierdo was described by a law enforcement official as "one of the originals"—an individual who has been involved in narcotics trafficking at the highest level for two decades while keeping a fairly low profile.

Izquierdo was considered a major source of white heroin during the years of the French Connection—a phase of the Mexican traffic during which Turkish heroin was transported through Mexico to escape detection at ports of entry in the eastern United States.

Izquierdo owns a ranch near Martinez de la Torre, Vera Cruz, and is believed to own hotels in Vera Cruz and in Tampico at the southern tip of the state of Tampaulipas, just across the border from Vera Cruz state.

Jorge Favela-Escobosa

Favela, in his early fifties, is called by narcotics authorities "one of the old guard," an organization man who has been involved in the heroin traffic for a decade.

His home is the traditional Mexican heroin heartland of Sinaloa. He operates with three or four trusted lieutenants and about 20 people under them in the next rank.

Favela's organization traffics heroin and cocaine into the United States through the Tijuana area, law enforcement sources say.

Favela was jailed in Mexico City on narcotics charges for a time but was released a few months ago before trial.

Like most major Mexican traffickers, Favela travels with a knot of armed guards. "They (the major traffickers) wear them," one official observed.

Jaime Herrera-Nevarez

Herrera heads what authorities believe is Mexico's largest heroin trafficking organization.

Headquartered in the state of Durango, the organization dispatches hundreds of kilos annually through Texas to the Chicago area in a variety of "traps" in cars and other vehicles. From Chicago, the narcotics are distributed throughout the United States.

The Herrera organization has a large contingent in Chicago which handles the traffic there.

Narcotics authorities say the organization numbers perhaps a thousand members in the United States and Mexico.

Herrera, about 50, was arrested by Mexican authorities recently on narcotics charges and is imprisoned in Durango. However, *Republic sources* say he is released virtually every night and has continued to exert control over his organization.

Rafael Odriozola-Urbina

Odriozola, about 45, is an example of specialization in Mexico's heroin traffic to the United States.

Considered by U.S. authorities to be a major violator, he is a dispatcher whose forte is packing loads of heroin into vehicles in ingenious ways to avoid detection by border authorities.

Odriozola was charged by Mexican authorities in 1976 with heroin offenses after a seizure at a laboratory in Guadalajara. He has been a fugitive since.

Originally from Durango, he divides his time between that state, Guadalajara and Mexico City.

Gil Caro-Rodriguez

Among Mexico's top heroin traffickers, Caro is back operating from his base in the state of Sinaloa after a brief stay in prison in Nogales, Sonora, narcotics authorities say.

They say Caro, about 45, has been trafficking in heroin and marijuana for at least 10 years.

Born and raised in the Culiacan area, he

also has narcotics contacts in Tucson and Guadalajara, and is well tied to a network of rural traffickers, authorities say.

Arrested late last year on a 1973 warrant, he was released from prison in Nogales after about a month, authorities say.

Luis Diaz-Garcia

Luis, about 29, is the younger brother of trafficker Enrique Diaz-Garcia.

Like his brother, he has received shipments in Chicago as well as shipping them from Durango state, narcotics authorities say.

The Diaz organization uses traps in cars to transport heroin to the Chicago area in six-to-eight-kilo lots, authorities say.

Luis was identified by Mexican authorities as the operator of a heroin refining laboratory in Durango.

Enrique Diaz-Garcia

Unlike most Mexican heroin traffickers, Diaz has worked both ends of the route, receiving shipments in Chicago as well as shipping them from the state of Durango.

Diaz, about 38, heads a group that has grown opium poppies in the states of Guerrero, Michoacan and Durango and has transported the drug across the Texas border. He works with a brother, Luis.

Their businesses in Durango, their home base, include discotheques, bars and bowling alleys.

Enrique is a fugitive in Mexico after seizures of heroin at the border in 1978. The heroin was traced to a lab in Durango operated by the Diaz organization, authorities say.

Manuel Salcido-Uzueta

Salcido's nickname, "Cochi Loco," means "Crazy Pig" and bears testimony to his reputation for violence.

He is said to have earned the name from an incident in which he rounded up three men who shot him in a 1973 assassination attempt and had them executed in gangland style—bullets through the head.

In his mid-to late-30s, Salcido is from the historic narcotics heartland of Sinaloa, where he resided in the Mazatlan area. He served as a lieutenant in a narcotics organization before forming his own.

Convicted in Mexico of narcotics trafficking in 1973, he was sentenced to prison but escaped from the federal penitentiary in Culican in 1974 and has been free since.

Salcido now spends most of his time in the rugged Sierra Madre, surrounded by approximately 50 members of his narcotics organization, authorities say. They believe some of his operations now take place in the state of Jalisco.

His forte is multiton loads of marijuana, but he also is believed to traffic in heroin.

Luis Teran-Torres

Teran, considered by narcotics authorities a major trafficker for at least 10 years, has been a fugitive in Mexico for about half that time.

There are two warrants for his arrest in Mexico. One stems from the discovery of caches of marijuana on a ranch he owned in Sonora.

Narcotics authorities say he deals in ton lots of marijuana and multikilo loads of heroin. A native of the Culiacan area, he is active in that region and in Guadalajara and the Nogales area.

Teran, about 50, was an associate of Pedro Aviles-Perez, considered to be Mexico's No. 2 narcotics trafficker before his death in a police action last September. The No. 1 position is claimed by the Herrera.

Salvador Chavez-Najera

Chavez, according to narcotics authorities, is a major supplier of heroin to California and the Southwest. They say his organization services those areas through outlets in Tijuana, Mexicali and Nogales.

Chavez, about 46, is considered the prototype of the Mexican heroin trafficker. His base of operations is in Sinaloa, the traditional hub of the heroin traffic. He has been involved in trafficking for about 10 years, authorities say.

They also say at one time Chavez operated an air taxi service with about a half-dozen planes, but has since sold it.

A warrant for Chavez's arrest was issued three or four years ago, after he was identified as the source of supply for narcotics seized in the Tijuana area.

He was arrested in late August and is now imprisoned in Tijuana, but authorities say his operation remains active.

Miguel Felix-Gallardo

Felix, also known as Miguel Beltran, is believed by enforcement authorities in the United States to be Mexico's principal mover of cocaine. They consider him the major supplier of the narcotic to the southwestern United States.

Felix, about 33, has operated at the top level of narcotics trafficking in Mexico for at least five years, authorities said. His roots are in the state of Sinaloa, where he operates pharmacies, and his centers of operation include Culiacan, Guadalajara, Tijuana, Mexicali and San Diego.

A warrant was issued for him by the Mexican government in early 1977 after a plane was seized in the vicinity of Tijuana and 136 kilos (300 pounds) of cocaine and five kilos of heroin were found on board. Felix was identified as the source of supply for the load.

He is believed to be spending much of his time now in the San Diego area.

WINDY CITY IS THE MAJOR CENTER FOR HEROIN TRAFFIC FROM MEXICO

CHICAGO

CHICAGO.—For decades Chicago has smarted under the epithet of America's second city. But in one area, Chicago takes second place to none:

Heroin trafficking.

It's the Mexico Connection that has given Chicago that dubious distinction.

In the heyday of the French Connection, in the 1950s and 1960s, heroin flowed from Turkey through Marseille and Montreal to New York and from there was distributed throughout the country.

Flowing unnoticed in comparison with the river of heroin pouring into the northeastern United States was a rivulet from across the Mexican border, a trickle of which made its way to Chicago.

When the United States paid Turkey in 1972 to abandon its poppy fields, the traffic in Mexico heroin exploded. The rivulet grew into a stream and the stream into a torrent as Chicago replaced New York as the major point on the heroin highway through the United States.

The Chicago syndicate, the Italian-American organization that has been the mainstay of organized crime in the city, was quick to anchor itself in Mexico. Syndicate stalwarts such as Jack Cerone, the late James Torello, Frank Pedote and Joseph LoPiccolo soon cultivated their sources of supply in Mexico.

One of the major connections in Mexico was Arden Lee Smith, who assumed the life of a grandee while living in Mazatlan under the name Alfredo Lama. Some idea of the scope of the traffic from Mexico to Chicago may be grasped from a statement of Smith's to narcotics authorities that his organization alone had moved a half-ton of uncut heroin into the United States during a 10-year period.

Smith was arrested in 1977 in Tucson and sent to Arizona State Prison for burglary and narcotics trafficking.

But the syndicate found itself contending with a new force—a network of Mexican traffickers who grabbed a big share of the market.

The number of Mexican nationals in this country has been estimated to be as high as 6 million—approximately one-tenth of Mexico's population—and no one figures the number at less than in the millions. They are distributed throughout the country, a good percentage of them in the Midwest.

For those so inclined, the numbers and distribution of Mexican nationals in the United States provide a built-in system for narcotics trafficking. Narcotics authorities say that from the source of supply in Mexico to the retailers in major American markets, the structure necessary to trafficking is in place.

The Mexican trafficking groups have a further advantage. Typically, they are composed of persons related in some way, making it harder for law enforcement agencies to penetrate the organizations. Additionally, they have the advantage of being relatively unknown to law enforcement personnel.

While the Chicago syndicate lends itself to a kind of facile analysis (Tony Accardo is the top man, so-and-so are the lieutenants, and so on), analyzing the Mexican organizations has proven a real challenge, particularly since many of their members remain in Mexico and others constantly are traveling back and forth between the United States and Mexico.

The first major Mexico trafficking group to gain notice, and the largest so far identified, is the Herrera organization. It is based in the state of Durango, Mexico, and its leaders are nearly all related in some manner.

Once discovered, the Herreras drew extensive media attention, including a feature article in a recent issue of Chicago magazine. Some observers went so far as to suggest that the Herreras accounted for nearly 100 percent of the heroin trafficking in the Chicago area.

However, The Republic has learned that the Drug Enforcement Administration has identified two other Mexico organizations approaching the size of the Herrera group. The DEA declined to comment on the organizations because of active investigations against them.

It is estimated there are 400,000 persons of Mexican descent in Chicago. The DEA figures that each year eight tons of heroin is smuggled into the city. Authorities say the bulk of it comes by car across the Texas border. They say about half stops in Chicago, the remainder is distributed throughout the country, primarily on commercial airline flights.

Seizures of heroin in Chicago have increased 13-fold in recent years, from 32 pounds in 1973 to 411 pounds in 1977. The drug continues to take its toll. The DEA estimates there are 47,000 addicts in the city. Other estimates run as high as 60,000.

A U.S. House committee on narcotics recently estimated that Chicago's heroin addicts spend nearly $2 million a day to support their habits. The cost to the city may be inferred from the fact that few heroin addicts are able to support their habits by legitimate work.

One of the problems faced by law enforcement agencies in combating the Mexican trafficking organizations has been a lack of Latin agents needed to infiltrate them.

"We're actively recruiting," a DEA source said. "We have a pretty good cadre." He said agents of Latin descent now constitute 10 percent of the agency's Chicago contingent.

The shortage of Latin agents has been reflected in the paucity of intelligence information concerning even such a major group as the Herreras. Amounts have increased in recent years, but the Herreras are believed to have been bringing heroin into Chicago for 15 or 20 years. Yet there is little consensus among law enforcement agencies on such basics as the number in the group.

Depending on the source of the estimate, the organization numbers from a few members to something like half of Chicago. One recent report indicated there were 300 Herreras in the United States. Another said the organization numbers 2,000. A third alleged

that 360 Herreras were dealing heroin in Chicago.

The DEA, which began investigating the group four years ago, believes there are about 300 members of the organization in Chicago and a total of about 1,000 in the United States and Mexico.

While close to 100 members of the Herrera organization have been arrested in the past few years, law enforcement authorities say no sooner are they arrested than someone arrives to take their place.

They say hundreds of thousands of dollars are funneled out of Chicago each year through currency exchanges and wind up in Mexican bank accounts. They estimate that the Herrera organization takes in as much as $100 million a year in narcotics profits.

Dealers routinely post five-figure bonds, then jump bail to live luxuriously in Mexico. The number of narcotics dealers from the United States who are fugitives in Mexico runs into the thousands, authorities say.

The Herreras, as well as other major Mexican organizations operating in Chicago, control the product from poppy fields in Mexico to distribution in the Windy City. Much of the heroin has been grown in fields of a half-acre or less within a 50-mile radius of the ancestral village of Los Herreras.

The heroin is refined in Durango and to a lesser degree in Culiacan, authorities believe. As the business has grown, another operation post has been established in Guadalajara. This has become the coordinating point for international operations.

After processing in Mexico, the heroin is shipped to six separate distribution offices in Mexican-American communities in Chicago and to field offices in Los Angeles, New York, Boston, Miami, Fla., Philadelphia and Washington.

In Chicago, Herrera strongholds are in Roseland, Blue Island, Aurora and Kensington. In the Kensington area, the Herreras own entire blocks, often working inconspicuously as restaurateurs, saloon keepers or landlords.

The brothers Jaime, Elias and Manual Herrera are the key operatives in Mexico, narcotics authorities say. Jaime, said to head the organization, was arrested recently in Mexico and is serving a prison term there. A fourth brother, Reyes, is a pivotal figure in the family operation in Chicago, according to narcotics authorities.

If intelligence information has been hard to come by for U.S. authorities, their counterparts in Mexico have fared little better.

In 1975, the Mexican attorney general's office was quoted as saying it had learned of the Herrera organization only the year before, despite its existence for more than a decade. The knowledge was said to have been gained during a trip to Chicago.

The attorney general's office vowed to crush the organization within a month.

Frank Pedote

Pedote is a longtime Chicago syndicate hoodlum considered by federal authorities to be a top narcotics violator and fence who sidelines in counterfeiting and other scams.

Pedote, federal sources say, was the major supplier of recently deceased syndicate narcotics dealer Michael DeMaro and his associates. Pedote's primary sources of heroin were veteran syndicate heroin supplier Arden Lee Smith, formerly of Mazatlan, Mexico, and now serving time in Arizona State Prison, and Fred Pedote, his brother, who is serving time in federal prison for narcotics violations.

Frank Pedote was convicted of burglary in 1948 and served five years of a 7-to-20-year sentence. He was convicted of theft in 1972 and placed on three years' probation.

He has been under investigation in Chicago recently for narcotics violations and for participating in an international insurance fraud in which multimillion-dollar shipments were destroyed by arson in warehouses in Scandinavia.

Pedote resides in the Peoria, Ill., area but rents an apartment in downtown Chicago where he has run a wholesale jewelry store believed to be a front for fencing and counterfeiting operations.

Harry Schennault

"As long as he's breathing, he'll be dealing," law-enforcement authorities say of Schennault, perennial "king" of Chicago's South Side dope dealers.

At 77, Schennault's criminal record dates from 1922 and includes entries for larceny, burglary, gambling and narcotics. He was sentenced in 1952 to 12 years in prison for narcotics offenses, and again in 1958 to 10 years for drug violations. In 1969, he was found guilty of possession and sale of heroin and sentenced to 12 years in prison.

Narcotics authorities say Schennault, also known as "Big Harry," has made a fortune peddling heroin to blacks on Chicago's South Side. At his sentencing in 1969, they testified that they also considered Schennault a major source of supply to the Chicago crime syndicate.

Now back on the street, Schennault has been associating with a number of "boosters," or professional shop-lifters, and authorities believe he might be trading heroin for stolen goods.

Harry Aleman

Aleman, 39, is described by law enforcement authorities as a Chicago syndicate burglar, enforcer and hit man who has sidelined in the Mexican heroin traffic.

Like many aspiring syndicate figures, Aleman got his start as an enforcer in the extortionate loan rackets. He was charged with conspiracy to violate the criminal usury law, aggravated battery and aggravated kidnapping in 1969 after a contractor claimed Aleman and another man beat him with the butt of a revolver in an attempt to collect a loan. Aleman was not convicted.

In 1977, Aleman was acquitted in a nonjury trial in the 1972 shotgun slaying of a Teamsters Union steward, despite testimony by two men who claimed to be witnesses to the incident and who said Aleman was the killer.

He was convicted last year of directing a "home-invasion" operation—a large-scale burglary—at a trial in which prosecutors accused him of participating in five murders. He was sentenced to 30 years in prison.

Aleman is also known as Harry Mustari and Tony Romano.

Tony Spilotro

As the Chicago syndicate's main man out West, Spilotro coordinates the outfit's involvement in narcotics trafficking as well as gambling and other activities, legal and illegal.

Spilotro has an arrest record dating to 1955 for offenses, including gambling, aggravated battery, burglary, robbery and murder, but has no major convictions.

Spilotro now is facing problems on another front. The federal government has filed an affidavit claiming he is an illegal owner of the Stardust and Fremont casinos in Las Vegas, and the Nevada Gaming Control Board is moving toward including his name in its "Black Book," which would prohibit him from entering Las Vegas casinos.

Meanwhile, the Internal Revenue Service is seeking through court channels to gain access to the records of a Tucson trucking-brokerage company operated by syndicate hoodlum Vito Nicasio to determne if Spilotro has received unreported income from the business.

Jack Cerone

A top Chicago syndicate figure for decades, Cerone ranks a step below chairman of the board Tony Accardo in the present mob heirarchy.

Although arrested for robbery, gambling and other offenses, Cerone was not convicted of a felony until 1970, when he drew a five-year sentence for gambling based on testimony by Lewis Bombacino, a syndicate functionary turned FBI informant.

Bombacino paid for the testimony with his life when his car was blown up in 1975 at a Tempe apartment complex. FBI agents said at the time of Cerone's sentencing they had learned that Cerone had ordered Bombacino's death.

Federal authorities long have believed Cerone is bankrolling narcotics traffic from Mexico, including the operations of narcotics dealer Theodore Lawler, who ran a stolen-car-for-narcotics connection between Chicago and Mexico via Tucson.

Cerone met at least twice in 1977 with the recently assassinated New York Mafia don Carmine Galante, lending credence to reports of narcotics trafficking by Cerone, since Galante long had been strongly associated with heroin trafficking. But despite considerable effort, narcotics investigators have been unable to nail Cerone.

Cerone, also known as "Jackie the Lackey" and Jon Cironi, divides his time between Chicago and Florida.

Theodore Lawler

Lawler is another in a seemingly endless number of people from Chicago who have a hand in flooding the Midwest with Mexican heroin. Federal authorities believe some of his financing comes from Jack Cerone.

One of Lawler's rackets is to send runners to Tucson with stolen cars, using them as payment for narcotics, then flying the runners back to Chicago. Federal authorities say Lawler had enlisted at least 10 confederates in that pursuit.

He has an arrest record dating to 1937 which includes robbery as well as narcotics offenses. He is awaiting trial on murder and bank-robbery charges.

Lawler reportedly has traveled to Mexico to set up the mechanics for his narcotics dealings. Federal authorities say he has received large shipments of heroin from Sonora. Numbered among his associates was syndicate heroin peddler Michael DeMara, recently deceased.

Joseph P. LoPiccollo

"A substantial syndicate type" is the way one high-ranking federal law-enforcement official recently described LoPiccolo.

The McClellan Committee in the 1960s referred to him as "an important member of the Mafia, instrumental in narcotics smuggling and wholesale distribution in association with other top echelon violators," and as "one of the leading members of an organization that smuggled large quantities of heroin into the U.S. and distributed this drug through organized underworld channels."

Although law enforcement authorities long had considered him a major supplier of heroin, LoPiccolo, 60, was convicted of no major violations until 1958, when he was sentenced to 20 years in prison for possession or heroin.

He was convicted in January on cocaine charges and sentenced to eight years in prison.

LoPiccolo's associates during the years have included ranking organized crime figures from Florida, Chicago and New York.

Among them are Joseph Bonanno Sr. of Tucson, formerly of New York; Santos Trafficante and Carl Fiorito of Florida. LoPiccolo also is connected to the infamous Herrera crime family, which runs heroin operations in the Mexican state of Durango and in Chicago.

MAFIA HAS BOILED NEW ORLEANS IN LONG AND VIOLENT STEW

NEW ORLEANS.—This city is best contemplated while watching rain dripping from tropical foliage in a courtyard of the Vieux Carre, the 80-square-block area that is its oldest and its heart.

The city, which was the birthplace of jazz, still throbs after nightfall as that music, commingled now with rock and country, swells through 100 doorways on Bourbon Street and its side streets.

Its restaurants are unsurpassed. Antoine's, birthplace of Oysters Rockefeller and Pompano en Papillote, is 150 years old and still operated by the family that founded it. Brennan's, home of the seven-course breakfast, has Eggs St. Charles (poached on fried trout) among the entrees and desserts include strawberries suzette.

And there is Broussard's.

Generally recognized as one of the French Quarter's, finest restaurants, Broussard's is operated by Joseph Marcello Jr., brother of Carlos Marcello, the 5-foot-1 Mafia patriarch whose influence in the South—and particularly in Louisiana—is in inverse proportion to his size.

Joseph Marcello was denied a liquor license for Broussard's five years ago by an administrative officer who said the issuance of the license was not in the best interests of the community. But a district judge overruled the officer, and Joseph Marcello soon had his license.

"When Carlos Marcello says he has 200,000 friends in Louisiana, he's probably right," remarks Aaron Kohn, who retired recently as head of the New Orleans Crime Commission and who was, for several years, Marcello's most outspoken foe.

Another New Orleans restaurant—Tony Angelo's—was the setting for a little-publicized meeting that provided an example of the type of associations Kohn decries.

In attendance at the luncheon meeting, Kohn says, were Joe DiRosa, a former city councilman who lost a recent mayorality election by 300 votes and who was a candidate for Louisiana Public Service Commissioner; Vincent Bruno, who at the time was head of the Police Patrolman's Association of New Orleans; and Carlos Marcello.

Reports by federal authorities that Marcello is involved in Mexican heroin trafficking come as no surprise to Kohn.

Marcello's sole narcotics-related conviction is for selling marijuana in 1938, but his associates have included some of the nation's major heroin dealers, Kohn says.

"There's no doubt in my mind he (Marcello) was mixed up in heroin," Kohn says.

Federal law enforcement officials say they are equally certain that Marcello still is backing marijuana traffic.

New Orleans sources recall that about five years ago a Marcello underling, Frank Zambito, was indicted on narcotics charges in connection with the crash of a World War II bomber in North Carolina. Zambito skipped the country and took up residence near Tampico, Tamaulipas.

Official sources say the travels of some of Marcello's associates include junkets to Mexico and Central America—junkets they believe are related to narcotics trafficking. Cited in this context is Marcello underling Thomas Amato, also known as "Tomats."

Marcello's relationship with the federal government has been anomalous, to say the least. The Tunisian-born Marcello has been under deportation order since 1953, but the government has yet to keep him out.

"Marcello has spent a half-million dollars fighting deportation, and the government has spent at least a million (trying to deport him)," Kohn said.

Yet in 1975, it was reported that the U.S. Defense Department bought $1.1 million worth of produce from Pelican Tomato Co., a firm with which Marcello has been variously identified as "salesman," "public relations man," and "adviser."

Kohn calculates the overall take for the mob in New Orleans and its environs at more than $1 billion a year. Marcello and friends have converted the city into an investment center for Mafia organizations from several areas, Kohn and others believe.

A common feeling expressed by law enforcement personnel and others in New Orleans is frustration bordering on despair at the apathy of residents concerning Marcello's organization.

The seeming inability of law enforcement to kindle interest in organized crime in the area may stem from the fact that residents of New Orleans have lived with the phenomenon so long that it seems a part of the fabric of the city. For the Mafia has been a presence in New Orleans for more than 100 years, at least as long as it has been a factor in any other American city.

The citizenry here was outraged in 1890, when the Mafia was already sufficiently entrenched to boldly murder the city's police chief as he walked to his home on a downtown street.

Police Chief David Hennesey was in the middle of an investigation of Mafia activities when he was wounded fatally by shotgun blasts. Before he died he identified his assailants as Mafia assassins.

Nine men were brought to trial, but despite a confession by one of them implicating several others, none were convicted. Members of the defense team later were convicted of jury tampering.

Two days after the acquittal, a notice signed by 61 of the city's more-prominent residents appeared in the morning newspaper, inviting residents to attend a mass meeting near the city center.

Town fathers led the mob that gathered on a march to the jail, where within minutes all those believed guilty of Hennesey's assassination were shot to death or hanged.

The Gulf Coast has been the major receiving point for marijuana shipments in recent months and much of the attention in the Miami, Fla., area has focused on that fact. During a recent five-month period, law-enforcement personnel seized more than 300 tons of marijuana, 20 large vessels and "smaller boats and vehicles too numerous to mention."

"Cocaine and marijuana are the big things now," a state law-enforcement officer said.

However, much of the heroin that is making its way to Florida is Mexican brown, law enforcement authorities say.

Playing the same role in much of Florida that Marcello does in Louisiana is Santos Trafficante, longtime Tampa mob boss who maintains a residence in Miami. Two figures who have been involved in narcotics trafficking for Trafficante, federal sources say, are Luis "Blackie" Lierandi and Victor Acosta. Lierandi is now in prison.

Federal sources in Florida believe it was Trafficante's underboss, Frank Diecidue, who issued the contract on retired Tampa police Sgt. Richard Cloud. The murder of Cloud caused a stir in Florida similar to that provoked by the slaying of Arizona Republic reporter Don Bolles in Phoenix in 1976.

Cloud allegedly had uncovered widespread corruption in Tampa. Benjamin Foy Gilford, a one-time Baptist minister who pleaded guilty to shooting Cloud, claimed the murder was ordered by Acosta, a convicted cocaine dealer.

Other Mexican heroin dealers in Florida, law enforcement authorities say, include Carl Fiorito, whose associates have included top Chicago syndicate figures, and Sam Cagnina.

Cagnina is under indictment in Florida as head of a group Miami authorities believe has engaged in counterfeiting, forgery, extortion, loan sharking, hijacking, arson and murder. About a dozen persons have been indicted in connection with the operation.

Cagnina is being sought by federal authorities.

Carlos Marcello

Marcello, longtime kingpin of New Orleans, along with Santos Trafficante of Florida is believed to dictate mob policy for much of the Southeast. Marcello rules over Texans Anthony Caterine and Frank Zambito, authorities say.

Federal authorities say Marcello obtains heroin from Mexico. Among his past heroin connections, they say, has been the narcotics trafficker Alberto Sicilia-Falcon. They refer to him as one of the top organized-crime figures controlling narcotics operations in Mexico and South America.

Marcello is one in a long line of top Mafia figures in a city where the history of the Sicilian-nurtured organization dates back a hundred years.

In 1938, Marcello was convicted of possession and sale of marijuana. Law enforcement officials said he settled a $76,380 fine against him for $400 and served 10 months in prison—the only occasion when he has served time.

In 1961, he was ordered deported by U.S. Attorney General Robert F. Kennedy. The government said Marcello had forged birth records claiming he was born in this country. He left for Guatemala for a short time but soon returned.

Deportation efforts continued in what has become a standing joke among New Orleans law-enforcement personnel. Only a week ago, the 1961 order was vacated by U.S. District Judge Jack Gordon, who said the Immigration and Naturalization Service must reconsider the case because its handling of the affair displayed "callous disregard for ethical standards of the worst sort."

Marcello was charged in 1963 with conspiracy to defraud the federal government, but was acquitted. Indicted the following year for bribing a juror and conspiracy to murder a witness, he was acquitted of the bribery charge and the conspiracy charge was dropped.

He was charged with assault on a federal officer in 1966 and was sentenced to two years in prison and fined $2,000. He spent six months in a federal hospital on that charge.

Marcello was subpoenaed in 1977 by a federal grand jury in Florida probing the influence of organized crime over the International Longshoremen's Association. He was also subpoenaed that year by the House Assassinations Committee in Washington.

Underlings include Joseph Saladino, who ran a company called Producciones Jitomate in Mexico City and later headed the Pelican Tomato Co. in Texas. A brother, Joe Marcello Jr., and a son, Joseph C. Marcello, also travel to Mexico for Carlos, authorities say.

Marcello is an associate of Meyer Lansky, top mob financier, and narcotics peddler Harry Clifford Dryden.

Marty Houltin

Houltin calls himself the "Ace of the Drug Air Force," and federal authorities say the title is well earned.

They say Houltin, considered to be one of the best small-craft pilots in the country, will fly anywhere for anyone if the price is right. They estimate he makes about $150,000 a year when he's not in prison—where he's now serving time on a narcotics conviction.

No stranger to federal authorities, Houltin was found by narcotics agents to be sitting in a hotel coffee shop checking them out as they held an air smuggling seminar last year in Tucson.

Agents say he has flown a substantial amount of narcotics into the United States for the Chagra brothers. Lee Chagra defended him on the narcotics charge that resulted in his imprisonment.

Victor Stadter

Stadter, a longtime air smuggler, is a friend of the Marcello brothers and of Texas organized crime figure Anthony Caterine, federal authorities say.

They believe it was Stadter who flew Carlos Marcello back into the United States after he

was deported to Guatemala in 1961. Marcello, who was born in Tunisia, returned to his New Orleans fiefdom to thwart further attempts to deport him.

Authorities say they recently detected a plot to have Stadter murdered.

They say Stadter, who has a record of narcotics activities, has criminal connections in Mazatlan and Culiacan in Mexico and in Guatemala, Costa Rica and Belize.

Jimmy Chagra

Jimmy is the brother of Lee Chagra, El Paso attorney shot to death recently in an apparent gangland slaying. According to federal authorities, Jimmy was Lee's partner in narcotics smuggling.

Law enforcement officials say that the Chagra brothers for years have operated a trafficking ring bringing narcotics from Mexico and Colombia to the United States.

One source of financing for the Chagra operations, federal authorities believe, was Tucson Mafia don Joseph Bonanno Sr.

The Chagras used a pool of pilots to fly narcotics across the border, authorities said.

Jimmy Chagra has been living in El Paso, but is said to be building a home in Las Vegas.

Frank J. Zambito

Long a leading orgnized crime figure in the Rio Grande Valley in Texas, Zambito has played a major role in forging narcotics links between gangsters in the United States and Mexico, according to federal authorities.

Indicted by a federal grand jury for conspiracy to smuggle in more than seven tons of marijuana in 1974, Zambito jumped bail and is reportedly living in Mexico. Federal authorities say he was last known to be residing at a home near Tampico, Tamualipas.

Authorities say he has met frequently with members of the Marcello Mafia organization, including Carlos Marcello's brother, Joseph, in Mexico. Zambito ran a McAllen, Texas, branch of the Pelican Tomato Co., one officer of which was Marcello subordinate Joe Saladino.

Other associates include narcotics trafficker Victor Stadter.

FLORIDA

Meyer Lansky

Best known as a mob financier, Lansky has an association with narcotics dating back several decades.

Though Lansky's only conviction of note was for a gambling violation in the 1950s, his association with organized crime dates to the 1920s, when he and Bugsy Siegel formed the B&M mob, the predecessor to Murder Inc.

During the 1930s, the Jewish faction of organized crime in New York, of which Lansky was a member, was involved heavily in narcotics trafficking. His activity in the group earned Lansky an early ranking as a trafficker on the International Narcotics List.

So Lansky's presence at a conference including many major international narcotics traffickers in 1970 in Acapulco should not have been too surprising to law enforcement authorities.

While the numbers and stature of gangsters involved in the meeting approached that in Appalachia, N.Y., in 1957, it drew comparatively little publicity. Many Canadian narcotics traffickers, including Frank and Vincenzio Cotroni, attended the meeting.

Narcotics was a major topic of conversation at the meeting, but exactly what role Lansky plays in the narcotics scene is still ill-defined.

Santos Trafficante Jr.

Successor to his father as head of the Mafia in the Tampa, Fla., area, Trafficante is one of a trio who according to federal authorities controls organized crime in much of the southeastern United States. The others are Carlos Marcello, the "little big man" of New Orleans, and mob financial wizard Meyer Lansky.

Long associated with the mob mainstay of gambling, Trafficante operated casinos in Havana in the balmy, pre-Castro days, but was expelled from Cuba when Castro took over.

Trafficante's criminal career illustrates the sometimes perilous but generally well-protected course of the well-heeled gangster.

In 1953, he survived an attempt on his life when he was shotgunned in a car on the streets of Tampa. In 1954, he was convicted of bribing a police officer and sentenced to five years in prison, but the conviction was reversed.

In 1957, he was a suspect in the celebrated shooting of Murder Inc. figure Albert Anastasia in a New York barber shop. That same year he attended the Appalachian conference, a gathering of about 60 high-level organized-crime figures at the New York estate of Joseph Barbara.

Trafficante also has a longtime association with narcotics trafficking, federal officials say. They identify Trafficante and Marcello as among the top hoodlums involved in the narcotics traffic from Mexico.

Sam Cagnina

Cagnina has been at cross purposes with law enforcement officials for more than 20 years—since he left the Key West police force under a cloud after he was accused of robbing a poker game at one of the key's gambling establishments.

Federal authorities say that aside from other criminal activities, Cagnina has been an overseer in the Mexico heroin traffic.

Now a fugitive, he has a criminal record that stretches from 1953 when he was sentenced to a year in prison for conspiracy to violate Florida's lottery laws.

A co-defendant was Harlan Blackburn, longtime central Florida gambling kingpin.

In the mid-1960s, Cagnina pleaded guilty to robbery of an armored car. In 1967, the Royal Bahama police charged with with the holdup of a Nassau bank in which $8,700 was taken, but he was acquitted by a jury.

He was acquitted again in 1973 of federal charges that he threatened a former associate of Blackburn's to keep him from testifying at Blackburn's trial for income tax evasion. In 1975, Cagnina was investigated in connection with the theft of $3.5 million in Los Angeles Treasury checks, but was not prosecuted.

He was a suspect in two killings, the 1974 murders of Miami, Fla., massage parlor owner George Webber, whose body was found in a south Dade County rock pit, and the murder that same year of Ronald Yaras, also involved in Dade County massage parlors.

A convicted drug dealer testified that Cagnina telephoned him early the morning after the Yaras' slaying to tell him that Yaras "sleeps with his father." Yaras' father was Chicago syndicate associate Dave Yaras, who died earlier in 1974.

Last fall, Ramon E. Dorto pleaded guilty to participating in a conspiracy headed by Cagnina to engage in murders, arson, hijacking, counterfeiting, forgery, extortion and loan sharking.

CALIFORNIA

20 contract killings in 4 years indicate growth of organized mob activities

Twenty murders. Not barroom-brawl types, kill-for-profit drug rip-offs or Saturday night juvenile-gang shootings.

None of the victims was robbed. None was raped.

These were 20 big-time hits for a price against organized-crime thugs, federal grand-jury witnesses, known Mafia informers. All were killed in California in the past four years.

What they mean to law enforcement officials who have investigated them is that organized-crime activity in California has turned from a tiny spore to a noxious weed. Twenty contract killings since 1975 is the most of any four-year period in the state's history.

The killings, according to federal, state and local authorities, document the spread of mob activity throughout California. Its swath of influence now is said to splash deeply into Mexico.

Midwest and East Coast Mafia families have been infiltrating California during the past several years. Various syndicate bosses have made significant efforts to control illicit activities in the state estimated to be worth as much as $10 billion a year.

The California Department of Justice says 50 known syndicate leaders—most from New York and Chicago—have moved into or invested heavily in the state during the past five years. This movement represents a tangible link between crime activities in California and those in several East Coast and Midwest Mafia families, investigators said.

Several out-of-state organized-crime figures are attempting to gain control of legitimate land and business ventures in California in addition to interest in illegal activities, authorities said.

The California investments by East Coast and Midwest hoods parallel an interest they have shown in Mexico, which is said to have been cultivated into a mob-operations center.

Federal authorities told *The Arizona Republic* that intelligence indicates East Coast and Midwest mobsters are involved in smuggling narcotics from and through Mexico, have set up legitimate Mexican businesses possibly as fronts for illicit operations and have established direct channels to some of Mexico's top narcotics traffickers.

Authorities think the mobsters also have bought political and police protection in Mexico, have developed highly mobile and flexible operations and operate with little attention from Mexican officials or the public.

California's backdoor relationship with Mexico and its supply of marijuana, heroin and cocaine makes the East-West connection a profitable prize.

Officials said several of California's known 300 organized-crime figures apparently have established themselves as contacts for big-money hoods in the East and Midwest looking to do business in Mexico. The business connections have included illicit narcotics and arms trade, land acquisition and development, hotel management and illegal-alien smuggling.

A few California crime figures, however, have become active in the Mexican market on their own. Investigators view the move as a logical extension of territorial gains made by California mobsters during the past two decades.

Whether as contacts or as entrepreneurs, virtually every crime syndicate in California has some stake in Mexico. Drugs play a significant role in the mob's overall effort, according to the California Justice Department investigators.

Big-money markets for marijuana, heroin and cocaine can be found in Chicago, Cleveland, Pittsburgh, Detroit and New York.

Officials think most narcotics moved by U.S. mobs is transported by air—carried by a thousand bush pilots hoping to make a quick buck, who wing their crafts over the border at altitudes of 50 feet to 100 feet. This contrasts with the movement of illicit narcotics by Mexican organizations, which are said to use cars more than aircraft.

The usual route, authorities said, is through Texas, connecting to Chicago and then to points east.

Organized-crime figures in California who, state and federal authorities think, have illicit Mexico connections include:

Vincent Albanese, 48, of Chula Vista, a

San Diego suburb. Authorities have linked him to the smuggling of arms and weapons into Mexico in exchange for heroin.

John Alessio, 68, who reportedly lives in Tijuana and travels extensively in Mexico while maintaining a residence in La Mesa, near San Diego.

Frank Bompensiero, killed in a gangland slaying in 1977. He was involved in narcotics smuggling and was associated with Francisco Patron-Sing and his father, Francisco Patron-Ramirez, major Mexican narcotics traffickers. Authorities are not certain who will emerge as the new leader of Bompensiero's San Diego organization, but they said the group is well-entrenched in Southern California and probably remains operational.

Joseph Cerrito, instrumental before his death in 1978 in establishing a narcotics-trafficking connection between organized crime in the San Jose area and the Hell's Angels. The Cerrito organization also is well-oiled, and authorities think it is operating at full strength.

Louis Tom Dragna, 59, of Covina, a Los Angeles suburb. Authorities say Dragna is involved in bookmaking, gambling, narcotics and illegal-alien smuggling.

James Fratianno, 66, under federal protective custody after providing information to law enforcement officials about the inner workings of the mob. He worked a deal with federal agents after being indicted in connection with the slaying of Bompensiero.

Carl Hammett, 38, of Spring Valley, a San Diego suburb. He is thought to be smuggling weapons into Mexico in exchange for narcotics.

Frank Lambe, 58, of Fresno. Officials said he smuggles narcotics into the United States from Mexico.

Michele Marchese, 57, of Pasadena. He is suspected of having been an enforcer for the mob in the past several years in the Los Angeles area.

Angelo Marino, 55, of San Jose. He reportedly uses a cheese company he owns as a front for narcotics smuggling.

Salvatore Pisello, 56, of Lake Encino, near Los Angeles. He reportedly represents the Carlo Gambino family of New York in various deals on the West Coast. Pisello's crime associates have included Joseph Bonanno, Sr., with whom Pisello reportedly met in Scottsdale in 1977. Bonanno has been listed by federal authorities as a major narcotics trafficker with numerous connections to drug sources on both sides of the border.

Joseph Sica, 68, of Sun Valley, a Los Angeles suburb. Sica reportedly helped establish the California-Mexico narcotics connection during the late 1940s and early 1950s while a member of the Mickey Cohen gang.

Bert Sparacino, 41, of San Diego. Officials said he is connected to narcotics smuggling through the Hell's Angels.

Edward A. Zuber, 41, who currently is serving a federal prison sentence in Lompoc, Calif. He was sentenced in 1975 to five years in prison after being convicted of fraud in the bilking of nearly $1 million from investors nationwide. Federal officials said Zuber has been involved in importing heroin and cocaine from Mexico into California. He reportedly has associated with crime figures Meyer Lansky, Santos Trafficante and Sam Cagnina.

PALM SPRINGS

50 mob chieftains forsake big cities for California resort community

Mobsters who have moved into California during the past several years generally have chosen to live in metropolitan areas including Los Angeles, San Diego and San Jose.

An exception is Palm Springs—a desert resort community of about 35,000 persons 110 miles southeast of Los Angeles.

State and federal authorities have identified about 50 known Mafia leaders residing in the desert community. Riverside County law enforcement officials said more than 30 of them are from Chicago.

Former California Attorney General Evelle Younger has estimated the Chicago syndicate since 1974 has invested nearly $50 million in the Palm Springs area, buying high-priced homes, land and a variety of businesses.

Other law enforcement officials have put the figure at $200 million.

Some known organized-crime figures with Palm Springs connections are:

Anthony Accardo, reputed boss of the Chicago syndicate; Marshall Caifano, an enforcer for Chicago organized crime; Rene Piccarreto, former boss of the Rochester, N.Y., mob and a close associate of the Joseph Bonanno family; and Frank Stellino, son-in-law of the late Nick Licata, who ruled as Southern California Mafia boss until he died in 1974.

Also, Dominic Brooklier, who once was considered a possible successor to Licata; Frank Buccieri, who was rated as a lieutenant in the Chicago crime family; Sam Sciortino, once considered to be the No. 2 man in the Licata organization; and Vioncent Caci, a former member of the New York syndicate.

Several law enforcement officials think Palm Springs is a "neutral area," a place where crimes to be committed elsewhere are planned.

As long as mobsters don't break laws in Palm Springs, they apparently aren't bothered.

NEUTRAL GROUND

Organized crime flourishing in "open territory" with no designated boss ruling West Coast

A phenomenon of California's flourishing organized crime is that it apparently is operating without a designated boss.

It is considered an "open territory," where out-of-state mobsters can set up rackets without fear of igniting a territorial war—a common concern in New York and Chicago where rackets are controlled tightly.

But there may be rumblings to close down much of that territory.

Investigators said law enforcement agencies are aware of high-level Mafia meetings between out-of-state hoods and local crime figures. A purpose of these meetings, according to informers, has been establishing an acceptable syndicate structure in the West.

Out-of-state organized-crime figures, investigators said, also have been concerned about the development of roles between East Coast and West Coast Mafia families and the need to eliminate known informers.

The state historically has been divided into three loose syndicate crime areas, or families: Southern California, San Jose and San Francisco.

The last known leader of the Southern California family, which controls the lucrative markets of Los Angeles and San Diego, was Nick Licata, who died in 1974. He was the Southern California boss for five years.

Although Dominic Brooklier, once known as James Regace, and Sam Sciortino have been mentioned as possible successors, authorities believe the leading contender for the top spot is Louis Tom Dragna, a longtime California hood with deep-rooted Los Angeles ties.

Dragna is the nephew of the late Jack Dragna, who, until he died in 1957, was the Southern California boss. Dragna is associated closely with many California organized crime figures and has been named as a high-ranking Mafia member by the California State Assembly and the U.S. Congressional Record.

He was convicted of extortion in 1959 and has been named in connection with the 1977 slaying of FBI informer Frank Bompensiero.

Joseph Cerrito was the recognized boss of the San Jose family until his death in September 1978. He was felled by a heart attack at his exclusive Los Gatos home after leading the San Jose syndicate for 19 years.

Authorities say a new San Jose boss has not emerged. However, they indicated Joseph Bonanno Sr. of Tucson has made significant gains in the area during the past several years—operating secretly through various henchmen.

There is some speculation Bonanno has been attempting to set the stage for his son, Salvatore, to move into the San Jose limelight. The younger Bonanno, however, is in jail and has not shown many leadership capabilities.

The recognized leader of the San Francisco family is James Lanza, an elderly San Mateo resident. Lanza has kept a low profile recently and his advice and permission reportedly are necessary only for low-level organized-crime figures. A successor has not been selected by Lanza.

One California organized-crime figure who many law enforcement officials believe has manuevered himself into a key position for a possible bid as boss of bosses in the state is Vincent Albanese.

Albanese, 48, is thought to be a mover of mob money and reportedly has worked with California and out-of-state organized-crime figures. He operates out of Chula Vista, a San Diego suburb.

Another strong contender is John Alessio, 68-year-old former race track operator and land developer. Alessio maintains a home in Chula Vista but spends much of his time in Mexico.

He spent two years in federal prison for income tax evasion involving the skimming of nearly $2 billion in bets.

Another out-of-state challenger is Anthony Spilotro, an underboss in the Chicago organization. But like the younger Bonanno, he has made several mistakes according to law enforcement officials, and may not be in the strongest bargaining position.

CALIFORNIA

Louis Tom Dragna

Law enforcement officials think Dragna may be a leading contender as the boss of the Southern California Mafia. A native, he has been associated with organized crime figures in the state for most of his 59 years.

Dragna is the owner of Roberta Manufacturing Co. in Rosemead, a Los Angeles suburb, and is thought to have interests in El-Jo Styles and hidden ownerships in a number of other garment firms.

Federal and state authorities said he was involved in bookmaking and gambling and was suspected of smuggling illegal aliens into the country from Mexico to work in a number of garment shops. Officers said he had established significant Mexican connections and might have developed a vast network of narcotics trafficking.

"We don't have a lot of information on his narcotics involvement," said one officer, "but we know he's in it."

Dragna is the nephew of the late Jack Dragna, who, until his death in 1957 was the boss of the Southern California Mafia. He has been identified as a highranking member of the Mafia by the California Assembly Subcommittee on Rackets, the California Organized Crime Control Commission and the U.S. Congressional Record.

He was convicted of extortion in 1959.

Dragna associates have included Joseph Sica, the late Frank Bompensiero, Peter Licavoli, Anthony Accardo, James Fratianno and the late Mickey Cohen.

James Fratianno

Fratianno has been tagged with the nickname "Jimmy the Weasel" for years, but apparently just recently lived up to the billing. He has become the FBI's highest-ranking

Mafia informant since Joe Valachi, who appeared before the U.S. Senate in 1963 and revealed the inner workings of La Cosa Nostra.

A 66-year-old former Fresno, Calif., resident, Fratianno is under federal protective custody. He worked a deal with the government in exchange for a reduced prison sentence in two gangland slayings.

The Mafia reportedly has a $100,000 contract out on his life.

Federal authorities said Fratianno headed a ring of organized crime figures involved in the importation of cocaine, heroin and marijuana from Mexico to the United States before his recent government deal.

The ring, according to federal agents, dealt with Ramon Jaime, a major Mexico narcotics trafficker.

Fratianno has been convicted of robbery, extortion, making false statements and conspiracy.

Los Angeles police officials testifying before a state Assembly subcommittee, called Fratianno "the executioner" for the mob on the West Coast.

Salvatore Pisello

Pisello works for the Carmine Consalvo crime organization as one of the mob's West Coast overseers, authorities said. He is a suspected narcotics smuggler.

According to a confidential Drug Enforcement Administration report, Pisello was named by Mexico narcotics dealer Jorge Asaf y Bala as his New York heroin customer.

Asaf y Bala is considered a major narcotics trafficker in Mexico. Although currently in a Mexico City prison, he continues to operate what officials have called a "massive drug smuggling syndicate."

Pisello, 55, maintains a home in Lake Encino, a plush suburb of Los Angeles. He is said to have associated with organized crime figures Edward Lino and Charles Alaimo, two suspected narcotics dealers.

Lino, according to federal sources, is the uncle of Consalvo and reportedly directs distribution for the Consalvo organization. He is said to have traveled to Italy to arrange heroin shipments back to the United States.

Alaimo reportedly received part of a 600-pound load of heroin in Tampa, Fla., that came from Hong Kong, according to federal agents.

Although he has no convictions, authorities said Pisello may be emerging as a leading figure in the movement of illicit narcotics between Mexico and U.S. buyers. He also has been linked by officers to business activities in Aspen, Colo.

Pisello also has been tied by authorities to Angelo Marino and Vincent Albanese, two high-ranking California mobsters. He also reportedly met with Joseph Bonanno Sr. of Tucson in Scottsdale in 1977, according to California authorities.

Law enforcement officials said Pisello has worked as the manager of the Y Roma Di-Notte Restaurant in Los Angeles.

John Alessio

Authorities are not certain where Alessio hangs his socks at night, but they have called him a significant force in California's organized crime picture. He maintains homes in Tijuana, where he is said to spend most of his time, and in La Mesa, a San Diego suburb.

Federal officials labeled him a top contender for the job of boss of bosses of the California Mafia in recent confidential Drug Enforcement Administration reports.

He has been involved in the ownership of Sunland Park and Ruidoso Downs racetracks in New Mexico and the Juarez Race Track in Cuidad Juarez. He holds a 99-year lease on property at Caliente Race Track in Tijuana. Federal and state authorities said Alessio was suspected of controlling a vast network of gambling, narcotics and bookmaking activities on both sides of the border.

Alessio, 68, spent two years in federal prison at McNeil Island, Wash., for income-tax evasion. He was convicted of skimming bets at Caliente and using the money to improve property in California. The conviction was in 1973 and involved nearly $2 million in unreported income over a four-year period.

Federal sources have described the Sunland Park racetrack in New Mexico, located near El Paso, as a major narcotics distribution center.

The Alessio family built and operated dog tracks at one time in Phoenix, Arizona, Apache Junction and Yuma. They have not operated in Arizona for some time, however.

Bert Sparacino

Authorities said Sparacino has maintained close ties with a number of Hell's Angels, giving them jobs in various bail bond agencies he has operated.

Federal and state officials said the outlaw motorcycle connection, however, is linked to Sparacino's involvement in narcotics smuggling.

The 40-year-old Sparacino formerly operated the Genie Bail Bond Agency in San Diego, where he employed Gary Moen, a former president of the San Diego chapter of the Hell's Angels. Moen has been linked by federal officers to Carl Hammett, who is said to smuggle weapons into Mexico in exchange for narcotics.

Authorities said Sparacino most recently has been involved in the operation of Isaac's Bail Bonds in San Diego.

He has been linked by law enforcement officials to organized-crime figure Frank Bompensiero, who was considered boss of the San Diego mob until he was shot to death in 1977 as an alleged FBI informant. Another associate, according to authorities, is Angelo Marino, a leading Mafia figure in San Jose.

Sparacino lives in San Diego. He was convicted in San Jose in 1966 of hit-and-run driving, in 1968 of displaying a weapon and in 1969 of battery. He also was convicted in 1972 in San Diego of disturbing the peace.

Ronald Giannoni

Federal authorities think Giannoni is a major narcotics trafficker in the San Francisco Bay area and, according to a confidential Drug Enforcement Administration report, has guaranteed his source of drugs from Mexico with shipments of arms and weapons south of the border.

The 37-year-old California resident has established a close working relationship with his 41-year-old brother Emile Giannoni. Besides narcotics, law enforcement officials think the two are involved in fencing stolen property.

Ronald Giannoni reportedly has established ties with a number of Mafia families. Authorities said two former contacts included Frank Bompensiero of San Diego and Joseph Cerrito of San Jose. Bompensiero and Cerrito were high-ranking Mafia bosses until their recent deaths.

The Giannoni brothers live in San Mateo, a San Francisco suburb. They have no convictions.

Vincent Albanese

A 48-year-old Southern Californian with ties to organized crime figures in four states, Albanese has been described by law-enforcement officials as a mover of mob money.

He is associated with V & V Development in San Diego and reportedly has been involved in construction of condominiums in San Diego and Palm Springs. Authorities said Albanese was supected of fronting for a number of out-of-state mob figures who have invested in land and businesses in California.

Albanese also has had frequent contact with Alfa Chemical Co. in Las Vegas, which reportedly is controlled by former Mafia executioner James Fratianno, now under government protection after working a deal in exchange for a reduced prison sentence for two gangland slayings.

Albanese owns Vinnie's Italian Restaurant in San Diego and is said to control property throughout the southland.

Federal authorities, according to a confidential Drug Enforcement Administration report, think Albanese is involved in the smuggling of arms and weapons into Mexico in exchange for heroin. Agents said his major Mexican connections were located in Tijuana.

According to California authorities, Albanese recently purchased a home in Palm Springs that belonged to Frank Sinatra's late mother.

Carl B. Hammett

A former president of the Hell's Angels in San Diego, Hammett apparently presides over an uneasy alliance between members of organized crime and the outlaw motorcycle club. He has been linked by authorities to Mafia figures in California and Michigan.

The Mafia-Hell's Angels connection was established and survives because the Angels honor an unwritten contract and are nearly impossible to infiltrate, said one San Diego County law enforcement official. The outlaw motorcycle gang members are said to act as couriers, enforcers and, occasionally, as hit men.

Hammett, 38, also is alleged by federal authorities to be involved in the smuggling of weapons into Mexico in exchange for narcotics. San Diego County officials said he also was connected to the pirating and smuggling of 8-track and cassette tapes.

Hammett has operated a mobile marine service in San Diego, thought by authorities to be a front for smuggling activities.

Although a Hell's Angel, Hammett has been linked to the Iron Horsemen Motorcycle Gang of San Diego, who reportedly have been active in drug trafficking.

His associates include Gary Moen, also a former president of the San Diego Hell's Angels chapter who reportedly has had contact with Mafia boss Angelo Marino of San Jose and Bert Sparacino, a suspected narcotics dealer with mob ties.

Hammett lives in Spring Valley, a San Diego suburb. He was convicted in 1972 for possession of dangerous drugs and in 1978 for assault. Both convections were in San Diego.

Joseph Sica

As the recognized leader of the four Sica brothers, Joseph Sica once enjoyed a "well-earned reputation" as a top racketeer specializing in strong-arm tactics, bookmaking, narcotics and robbery, law-enforcement officials say.

A lengthy arrest record shows convictions for robbery, grand theft auto, larceny, bookmaking and extortion. He was arrested twice for murder—in 1948 for the Los Angeles killing of Harry "Hooky" Rother, who was shot down in gangster Mickey Cohen's haberdashery and in the 1950 slaying of Gardena, Calif., attorney Samuel Rummel. Neither arrest resulted in a conviction.

Sica also was among 17 persons indicted in the 1950s in a federal narcotics conspiracy case. The case collapsed, however, when a key prosecution witness was found shot to death.

Law enforcement officials consider Sica a pioneer in the establishment of a narcotics network between California and Mexico. The network was created, they said, when Sica worked for Cohen.

The 67-year-old mobster lives in the Los Angeles area, as do brothers Frank, Alfred and Nunzio. The four are seen together frequently, authorities said. They are said to

be involved in bookmaking and loan-sharking today.

Angelo Marino

Law enforcement authorities say Marino has been a high-ranking member of the San Jose, Calif., Mafia for several years. The Congressional Record listed him as a captain in the San Jose mob in 1969, under the leadership of the late Joseph Cerrito.

The 55-year-old Marino owns the California Cheese Co. in San Jose. State Justice Department officials said Marino might have established a monopoly in California on certain cheese products.

Federal and state authorities also think Marino uses his cheese firm as a front for narcotics smuggling. Officials said he had used members of the Hell's Angels to transport drugs from Mexico into the United States. Some of the narcotics, according to investigators, has been moved through the state in various cheese wheels that were hollowed out.

Investigators have linked Marino to a number of Mafia leaders throughout the country, including Anthony Pinelli Sr., who is said to run the Gary, Ind., syndicate, and Salvatore "Bill" Bonanno, son of Mafia boss Joseph Bonanno Sr. of Tucson.

Marino and Joseph Piazza, a former member of an organized crime burglary operation, were named last year as co-defendants in the gangland slaying of Peter Catelli. Catelli was killed in Marino's San Jose cheese factory.

The trial, being prosecuted by the Santa Clara County district attorney's office, is under way in Los Angeles and is expected to last through December.

Marino lives in San Jose.

Authorities think the Hell's Angels connection maintained by Marino probably was established by Cerrito.

Edward Zuber

Currently in federal prison at Lompoc, Calif., Zuber has been identified by both federal and state law-enforcement officials as a Los Angeles-area organized crime figure. He was listed in the California Organized Crime Control Commission report in 1978.

Zuber's associates, authorities said, have included mob financial expert Meyer Lansky, suspected heroin trafficker Sam Cagnina and Miami underworld boss Santos Trafficante, who many consider one of the most powerful organized crime bosses in the Southeast today.

Zuber, also known as "Big Ed," is serving a six-year term for conspiring to bilk Las Vegas' Aladdin Hotel out of $250,000 in gambling chips and for stock and mail fraud schemes in New York and San Diego. Authorities think he still may be active in narcotics trafficking.

The former resident of Costa Mesa, Calif., has a record of stock manipulation schemes. He was convicted in New York in 1974 for mail fraud in connection with a stock ploy that bilked investors of $800,000. He also was convicted in 1970 of possession of narcotics.

Federal authorities said Zuber was involved in narcotics before his 1975 fraud conviction. They said in a confidential Drug Enforcement Administration report that he imported heroin and cocaine. Some officials think he was a contact man for narcotics for Trafficante.

Michele Marchese

Law enforcement officials think Marchese has been an enforcer for organized crime in the Los Angeles area for the past several years.

The 57-year-old Pasadena resident has been convicted of violating federal narcotics laws (1958), extortion (1972) and possession of a firearm by a felon (1972).

In the firearms case, authorities said Marchese used a pistol to threaten a New York attorney who was attempting to protect investors in instituting bankruptcy proceedings for an oil company. During the trial, Marchese was described as a loan shark with organized crime connections.

California law enforcement authorities think Marchese currently is involved in narcotics, gambling and loan-sharking. He has been affiliated with a Los Angeles firm known as Sound Alike Music Co.

Federal reports indicate Marchese has been active in narcotics in the Rosarita Beach area of Baja California. Drug Enforcement Administration officers also have reported seeing Marchese in the Tijuana area.

Frank Lambe

The former owner of a flying service in Fresno, Calif., called Lambair Inc., Lambe was convicted in 1972 of taking part in an airborne smugging conspiracy. He was sentenced with his son Anthony Lambe to three years in prison.

The two were indicted in a smuggling operation involving transportation of 13 tons of marijuana into the United States from Mexico between 1968 and 1970, according to court records.

Federal officials said Lambe, who also is known as Frank C. Lambetecchio, is thought to be smuggling narcotics again. His major Mexico contact, according to Drug Enforcement Administration agents, is Eduardo "Don Lala" Fernandez, a top Mexican narcotics trafficker.

Lambe, 57, reportedly has connections with Ronald and Emile Giannoni of San Mateo, Calif., two brothers suspected of dealing in narcotics in the San Francisco Bay area.

San Diego County law enforcement officials said Lambe also associated with Lawrence Fassler, a former Arizona narcotics trafficker who is now serving a life sentence at San Quentin for murder. Fassler was sentenced in the slaying of Warren Hudson, who reportedly was one of the pilots who flew for a drug smuggling ring headed by Fassler.

DETROIT

Anthony J. Giacalone

Publicity concerning Giacalone of late has centered on his alleged involvement in the Jimmy Hoffa disappearance. Giacalone was identified as the man Hoffa said he was going to meet the day the former Teamsters president vanished in July 1975.

But federal authorities say Giacalone also has been involved in bringing Mexican heroin into the United States.

Considered to be a ranking member of the Detroit Mafia hierarchy, Giacalone (also known as Tony Jack) has a record dating back 25 years and including a conviction for bribing a police officer. He has followed a long-established pattern of ascent through mob ranks from gambling and collection rackets to the point where he is believed to control street operations in Detroit.

Like many hoods, he has chosen Miami, Fla., as his home away from home in recent years.

Giacalone has been fighting to stay out of prison after being sentenced in 1976 to 10 years and fined $30,000 for income tax evasion. An appeal was rejected late last year, but as is the case with many hoods, convicting Giacalone seems to have been only half the battle.

KANSAS CITY

Charles V. Carrollo

Carrollo is a brother of ranking Kansas City organized-crime figure Sam Carrollo.

Federal authorities say the Carrollo organization has been active in the illicit drug market for 30 years.

They say Charles was known to have visited Mexico City as early as 1955 and once was associated with an optical company there.

Criminal associates in Mexico City include Michael Spinelli and Niccolo Impastato.

U.S. OFFICIALS PRAISE EFFORTS BY MEXICO TO STAUNCH HEROIN FLOW ACROSS BORDER

The United States has granted approximately $75 million in aid to Mexico to combat narcotics trafficking since it became the major supplier of heroin to the United States about seven years ago.

Has the investment paid off?

Yes, says the nation's top narcotics administrator, Peter Bensinger, who heads the federal Drug Enforcement Administration.

Mathea Falco, senior adviser for international narcotics matters for the State Department, and Sen. Dennis DeConcini, D-Ariz., a member of the Appropriations Committee's subcommittee on foreign operations, agree with Bensinger.

Bensinger says the $75 million has been well-spent.

"We've seen a tremendous decrease in heroin nationally," he said in an interview. "The percentage from Mexico of the total has decreased as well as the total itself."

Three years ago, about 90 percent of the heroin coming into the United States was from Mexico. Now, Mexico heroin accounts for about 56 percent, he said.

"In 1976, we were looking at 85 to 90 percent of seven to eight tons" a year entering the United States from Mexico, he said. "In 1979, it's 56 percent of 4.5 tons."

Several key indicators suggest heroin use may be reaching its lowest point since 1970, Bensinger said. Purity of heroin and deaths by overdose are down, while price is up, indicating a relative scarcity of the narcotic.

"Present purity (of the average dose) is 3.5 percent, which is the lowest it's been in a decade," Bensinger said. "It was 6.6 percent in March of 1976."

"The price in 1976 was $1.26 per milligram. It's now $2.19."

Overdose deaths have been running about 30 a month nationally, compared with an average of 150 a month in 1976.

"We've been very pleased with the efforts of the Mexican government," Bensinger said.

The keystone of the Mexican effort against narcotics trafficking has been the opium poppy eradication program, Bensinger said. Although the United States no longer participates directly in the campaign, as it did in its beginning, it continues to provide money to maintain planes and helicopters, purchase photographic equipment and for other purposes, he said.

Bensinger also praised another key narcotics program, Operation Janus, a cooperative effort of the United States and Mexico to prosecute Mexican traffickers.

Four factors must be present before an individual is targeted in the program, Bensinger explained. The target must be in Mexico; he must be a Mexican citizen or third-country national; there must be a seizure of narcotics in the United States; and there must be a nonpolice witness to the seizure.

Additionally, the DEA requires that the target be a major violator—one of Class 1 or Class 2 stature, Bensinger said.

The five-year program has produced 57 investigations, 47 of which resulted in arrest warrants in Mexico, he said. Twenty-four of the offenders were tried and convicted, five were acquitted, and the remainder are in various stages of prosecution, Bensinger said.

The program's success has led the DEA to consider using it in other countries that share a narcotics problem with the United States, he noted.

As coordinator for international narcotics matters, Miss Falco administers foreign assistance funds described as the "cutting edge" of U.S. efforts to stem the flow of illicit narcotics, particularly heroin, into this country.

She stressed that the Mexican government has poured a good deal of its own funds into the eradication effort, in addition to the aid received from this country.

"I think you cannot stress enough that this is really a Mexican government program," she said. "They are contributing far more than we are to this program.

"DEA is not involved at all. It's been a year-and-a-half since they've been allowed to fly. I think it's important to note that." The United States initially furnished planes and pilots in the poppy eradication program.

Miss Falco also pointed out that, unlike the U.S. aid program to stop heroin from Turkey, Mexican farmers have not been paid to abandon their opium poppy growing.

"The Mexican government has not requested any rural economic development (funding)," she said.

"The supply of Mexican heroin has been significantly reduced," she noted. "The consensus of law enforcement agents is that the international program is the most effective means we have found of decreasing the flow of heroin into the country."

DeConcini seems in complete agreement.

"I've always believed we had to go to the source," he said.

As a member of the subcommittee on foreign operations, DeConcini has discussed control programs with the Mexican attorney general's office and the Mexican Congress. A year ago, he flew over growing areas to get a perspective on the issue, he said.

After his visit last year, he succeeded in reinstating $12 million that had been cut from the U.S. budget for narcotics control in Mexico, DeConcini said.

He is aware of the skepticism with which some U.S. law enforcement officials view Mexican control efforts. He frequently encounters the skepticism, but rarely any evidence that it is warranted, he said.

"In my visits to Mexico I have been impressed that the Mexicans want to shed the reputation of being the heroin connection point for North America," he said. "It damages them, and they realize it."

He stressed that the aid given to Mexico isn't simply doled out to officials.

"We don't give them money, we make purchases from them. We train their pilots. This, to me, is the right approach."

DeConcini is optimistic about the prospects for further reduction in the Mexican heroin traffic.

"I think we can really put the squeeze on the supply from the south of the border. We can reduce it substantially. That's going to be beneficial because it's harder to get it across other borders."

The Arizona Senator believes Mexican officials share his determination to curb the flow.

While in Mexico a month ago, he said he asked members of the Mexican Congress whether they intend to declare a victory and terminate the control program in view of the gains they have made.

The Mexican congressmen assured him that their effort against heroin trafficking will continue for the foreseeable future, he said.●

FISH RESTORATION ACT OF 1979

● Mr. RANDOLPH. Mr. President, on August 2, I introduced S. 1631, a bill to amend the Federal Aid to Sport Fish Restoration Act of 1950. As printed in the RECORD, my accompanying statement contained several typographical errors which have resulted in some misunderstanding and confusion about the provisions of the bill and its impact.

So that there will be no doubt on this legislative proposal, I ask that my statement and the text of S. 1631 be printed in the RECORD.

The statement and bill follows:

By Mr. RANDOLPH (for himself and Mr. LONG):

S. 1631. A bill to provide additional funds for certain projects relating to fish restoration, and for other purposes; to the Committee on Environment and Public Works.

FISH RESTORATION ACT OF 1979

Mr. RANDOLPH. Mr. President, fishing is the most popular participator sport in our country. Last year, 58 million Americans fished and, if historic trends continue, the number could double before the end of this century. That truly is recreation on a grand scale, but under present levels of support our aquatic resources cannot sustain this public use demand.

Fishing, the wholesome, outdoor sport of Americans from all walks of life, could become, as it has in Europe, a pastime of the wealthy. The legislation which I introduce will provide for expanded Federal-aid-to-fisheries grants to States from funds collected through "user pay" fees paid by the persons who share in the resource.

The management of America's inland fisheries resources is, as it should be, the responsibility of the 50 States. Inflation has destroyed many States' ability to manage their recreational fishery. Access to public waters is inadequate and many boat launching areas are deteriorating for lack of maintenance. Fish hatchery production is inadequate, most fisheries research remains to be funded, new recreational lakes are needed in water-starved areas and a wide range of other proven fisheries enhancement techniques await funding. A recent survey of State fisheries agencies, conducted by the organization of fisheries administrators, disclosed that an additional $75 million are needed each year simply to sustain the present, barely adequate program. Meeting future demands and starting new programs will require even more funding.

Fishing license revenues have proven to be inadequate to meet the need for fisheries management funding. In recognition of this problem, Congress passed the Federal Aid to Sport Fish Restoration Act in 1950, known as the Dingell-Johnson Act. This successful and popular act earmarks a 10-percent Federal manufacturer's excise tax on most items of fishing tackle. Although paid by the manufacturers, the cost is passed along to the fishermen as a part of the cost of the tackle he buys.

The tax is collected by the Treasury Department and then apportioned to the States on a matching basis (up to $3 Federal for each State dollar) for fisheries restoration, development, enhancement and research. The apportionment is based on the State's total area and fishing license sales. No State can receive less than 1 percent and none more than 5 percent. In its 28-year history, this program has generated an average of about $10 million per year with less than 7 percent consumed for administrative purposes.

States have used grants to finance a considerable portion of their fisheries management activities. A special provision of the act has had the added benefit of preventing diversion of State fish license monies to other purposes. No other Federal fisheries program has been so successful. All States are heavily dependent upon this program. It does not generate enough funds, however, to do the job that must be done. Congress must act now to expand the funding base of the act in a fair and meaningful way.

A 1970 study by Dartmouth College disclosed that the 10-percent excise tax on fishing tackle was not only successful and well received by anglers, but was popular with the tackle manufacturers as well. The report noted, however, that the tax was unfair because it applied to only part of the sport fishing industry even though all manufacturers benefited from the proceeds. As a consequence, the report recommended that the excise tax be extended to other products, including fishing boats and outboard motors. The author of the report noted that:

Actually, the extension of the excise tax to the outboard motor industry constitutes the withdrawal of a subsidy to that industry rather than the imposition of a burden in the sense that it receives the advantages of the Dingell-Johnson program without sharing the costs with the other beneficiaries.

Mr. President, the user-pay principle requires that those who enjoy the benefits should contribute to the program. The boat, motor, and boat trailer industry, should be brought into the program so that they can begin assuming their share of the Nation's fisheries management costs.

Costs will inevitably be passed along to the consumer, and these consumers have indicated their willingness to pay. Good fishing sells boats and motors, so in all likelihood the plan will be as good for future sales as it is for future fishing.

Accordingly, I am introducing legislation to amend the 1950 act by adding a 3-percent manufacturer's excise tax to recreational boats, motors, and boat trailers; and with the tackle industry's endorsement extending the 10-percent tax to tackle items not now covered.

Under this legislation the average fisherman will pay only about $2 per year in added excise taxes to support the aquatic resources which provide his fishing opportunity. Hunters already pay more than $3 each in excise taxes to support their sport, and that investment has been spectacularly successful. If our fisheries resources are to continue meeting the demands upon them they must receive the best management that science can provide. America's fishermen recognize the problem and have indicated their willingness to pay the bill.

The opportunity for "goin' fishin'" is as American as any legacy we have, and we cannot deny the same chance to future generations. Expanding the financial base of the Dingell-Johnson Act will help to maintain this tradition.

S. 1631

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 "Fish Restoration Act of 1979."

TITLE I—FISH RESTORATION PROGRAM

SEC. 102. Section 1 of the Act entitled "An Act to provide that the United States shall aid the States in fish restoration and management projects, and for other purposes", approved August 9, 1950 (16 U.S.C. 777), is amended by adding at the end thereof the following new sentence: "To the extent practicable, moneys apportioned to a coastal State shall be equitably allocated by such a State between marine and fresh water fish projects.".

SEC. 103. Section 2 of the Federal Aid in Sport Fish Restoration Act, as amended (16 U.S.C. 777a), is amended by adding a new paragraph:

"(e) The term 'coastal State' shall mean any one of the States of Alabama, Alaska, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Louisiana, Maine, Maryland, Massachusetts, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Oregon, Rhode Island, South Carolina, Texas, Virginia, and Washington. The term also includes Puerto Rico, the Virgin Islands, Guam, and American Samoa.

SEC. 104. (a) Section 3 of the Federal Aid in Sport Fish Restoration Act, as amended (16 U.S.C. 777b), is amended to read as follows: "To carry out the provisions of this Act, there is authorized to be appropriated an amount equal to the revenue accruing from tax imposed by section 4161 of the Internal Revenue Code of 1954, as amended (relating to sport fishing equipment and certain recreational boats and boating equipment) during fiscal year 1980 and each fiscal year thereafter. The appropriation made under the provisions of this section for each fiscal year shall continue available during the succeeding fiscal year. So much of such appropriation apportioned to any State for any fiscal year as remains unexpended at the close thereof is authorized to be made available for expenditure in that State until the close of the succeeding fiscal year. Any amount apportioned to any State under the provisions of this chapter which is unexpended or unobligated at the end of the period during which it is available for expenditure on any project is authorized to be made available for apportionment and disbursement by the Secretary, without regard to subsection (b) of section 4, to other States on the basis of need to carry out the purposes of this Act.".

(b) The amendment made by subsection (a) of this section shall take effect October 1, 1979.

SEC. 105. The first sentence of section 4 of the Federal Aid in Fish Restoration Act, as amended (16 U.S.C. 777e) is amended to read as follows: "So much, not to exceed 4 per centum, of each annual appropriation made in pursuance of the provisions of section 777b of this title as the Secretary of the Interior may estimate to be necessary for his expenses in the conduct of necessary investigations, administration, and the execution of this chapter and for aiding in the formulation, adoption, or administration of any compact between two or more States for the conservation and management of migratory fishes in marine or fresh waters shall be deducted for that purpose, and such sum is authorized to be made available therefor until the expiration of the next succeeding fiscal year.".

SEC. 106. Section 5 of the Federal Aid in Sport Fish Restoration Act (16 U.S.C. 777d) is amended by striking all after the period ending the first sentence.

SEC. 107. Section 6 of the Federal Aid in Sport Fish Restoration Act, as amended (16 U.S.C. 777e) is amended by adding a new subsection:

"(d) The Secretary is authorized to enter into agreements to finance up to 75 per centum of the initial costs of the acquisition of lands or interests therein and the construction of structures or facilities from appropriations currently available for the purposes of this Act; and to further agree to finance up to 75 per centum of the remaining costs over such a period of time as the Secretary may consider necessary: *Provided*, That the liability of the United States in such agreements shall be contingent upon the continued availability of funds for the purposes of this Act.".

SEC. 108. Section 8 of the Federal Aid in Sport Fish Restoration Act, as amended (16 U.S.C. 777e) is amended by adding the designation "(a)" before the first sentence of the existing section and by adding the following new subsection:

"(b) Each State may use not to exceed 10 per centum of the funds apportioned to it under section 4 of this chapter to pay up to 75 per centum of the costs of an aquatic resource education program for the purpose of increasing public understanding of the Nation's water resources and associated aquatic life forms. The non-Federal share of such costs may not be derived from other Federal grant programs. The Secretary shall issue not later than the one hundred twentieth day after the effective date of this subsection such regulations as he deems advisable relative to the criteria for aquatic resource education programs under this subsection.".

TITLE II—TAX ON SALE OF SPORT FISHING EQUIPMENT AND CERTAIN RECREATIONAL BOATS AND BOATING EQUIPMENT

SEC. 201. (a) Section 4161(a) of the Internal Revenue Code of 1954 (relating to the imposition of tax on the sale of certain articles) is amended to read as follows:

"(a) SPORT FISHING EQUIPMENT AND CERTAIN RECREATIONAL BOATS AND BOATING EQUIPMENT.—

"(1) There is hereby imposed upon the sale by the manufacturer, producer, or importer of any article of sport fishing equipment a tax equivalent to 10 percent of the price for which so sold.

"(2) There is hereby imposed upon the sale by the manufacturer, producer, or importer of recreational boats and boating equipment a tax equivalent to 3 percent of the price for which so sold.

"(3) As used in this subsection, the term 'sport fishing equipment' means—

"(A) fishing reels, rods, fabricated poles, organic, synthetic, and metallic lines testing 80 pounds or less, fishing spears, underwater spear guns, and items of terminal tackle including, but not limited to, leaders, artificial lures, baits and flies, fishhooks, bobbers, sinkers, snaps, drayles, swivels, underwater riggers, and underwater spreaders;

"(B) fishing supplies and accessories including, but not limited to, fish stringers, creels, bags and baskets, portable bait containers, landing nets with handles not more than 6 feet in length and hoops not more than 36 inches in diameter, and gaff hooks with handles not more than 6 feet in length;

"(C) fishhook disgorgers, scalers, rod holders, line and fly dressing, fly tying materials, preserved packaged bait; and

"(D) tip-ups, tilts, ice augers (both manual and power), ice spuds, ice skimmers, and manufactured ice houses, and windshields.

"(4) As used in this subsection, the term 'recreational boats and boating equipment' means—

"(A) boats not more than 25 feet in length except hydroplanes, kayaks, and sailboats: *Provided*, That the tax imposed by this subsection shall not be applicable to boats to be used chiefly for commercial purposes other than commercial purposes related to recreational fishing;

"(B) outboard motors (both internal combustion and electric), boat trailers, portable fish finders (including both thermometers and depth finders), outriggers of 10 feet or more in length when extended, down riggers, rod belts, fishing chairs, and flying harnesses.".

(b) The amendment made by subsection (a) of this section shall apply with respect to articles sold by the manufacturer, producer, or importer thereof beginning with the next succeeding quarter of the fiscal year following enactment of this Act.●

THE PATENT LAW AMENDMENTS ACT OF 1979—S. 1679

● Mr. DOLE. Mr. President, I am pleased to join my distinguished colleague from Indiana, Senator BAYH, in cosponsoring S. 1679, the Patent Law Amendments Act of 1979. In doing so, I am pursuing the intent of an earlier bill that Senator BAYH and I introduced last February, "The University and Small Business Patent Procedures Act," S. 414. Both bills address themselves to the necessity to update what has clearly become an archaic patent system, which is one of the contributing factors in our loss of leadership in the field of innovation as well as that of technology transfer.

Under the present system, inventors whose patent validity is challenged on the basis that it was issued without a complete search of the patent files, must go to court to defend their patents. However, a catch-22 situation exists. Indeed, it is estimated that 2 to 28 percent of the search files are missing as a result of underfunding of the Patent and Trademark Office. The delays emanating from the often unsuccessful search for missing information on previous patents result in uncertainty over the validity of patents among businesses. In addition, the cost of challenging patents through the courts is estimated to be as high as $250,000 for each party.

While this legislation addresses itself to all patent holders, the benefits to be derived from it by small inventors and businessmen become obvious, since they have neither the financial means nor the legal apparatus to defend their patents at such costs.

S. 1679 would transfer the task of reexamining challenged patents from the courts to the patent and trademark office. The technical expertise that the Patent and Trademark Office has at its disposal would result in its ability to examine the patents and make faster determinations based on the evidence that is available. Such a procedure would have the added advantage to unburden considerably the Federal court system whose work load is already heavy.

The procedure would be simple. Individuals who challenge an issued patent would be required to file a request with the Patent and Trademark Office for a modest fee. The patent holder would then receive notification of the challenge, along with all information pertaining to the challenge. The Commissioner would issue his decision within 90 days upon receipt of the request. His judgment would be based on three alternatives resulting in the following decisions:

First. The challenge is found invalid—the patent is upheld and the decision cannot be appealed.

Second. The patent is found to be too broad, the patent holder can narrow the patent claim.

Third. The issued patent can be invalidated—the patent holder can appeal.

This legislation would not withdraw from the courts the option of accepting validity cases. It would, however, offer an inexpensive alternative to legal action.

In the cases of patent challenges that are already pending, the courts could either retain them, or send them to the Patent and Trademark Office for reexamination.

There is no question that our patent system has not kept up with the increasing technological complexity of our times. I am cosponsoring this bill, knowing that it has become imperative that a series of measures be taken in order to bring our patent system up to date.●

THE DULUTH GRAIN HANDLERS' STRIKE

● Mr. McGOVERN. Mr. President, the strike of the Rock Island Railroad has made headlines, especially in the Corn Belt area of our country. Though less has been written about it, the grain handlers' strike on Lake Superior has probably had as much impact on the orderly transportation and marketing of grain in the Upper Midwest. For almost 3 months, the Great Lakes ports have been slowed down to nothing but a trickle of grain movement and that movement is only due to the unloading of cars and trucks by supervisory personnel at the eight major elevators in the Duluth-Superior area. South Dakota's State marketing director has calculated that the strike has already cost South Dakota farmers $280 million in lost sales and a depressed market.

The Brookings (S. Dak.) Daily Register, an aggressive news reporting paper of rapidly expanding influence, editorialized on this issue in its September 12, 1979, edition, in a piece entitled "Time for Strike Action." Though recent events since the publication of the editorial indicate that there is hope for a solution due to a breakthrough in negotiations with management at Grain Terminal Association, the largest of the eight elevators, the strike is not yet settled. I call Senators' attention to the editorial to which I have referred by requesting publication of the text of the editorial in the RECORD.

The editorial follows:

TIME FOR STRIKE ACTION

Almost three months after Lake Superior grain handlers walked off the job, events have finally reached a point where the cost of the strike to South Dakota farmers is being converted into dollars and cents.

South Dakota's state marketing director said Monday that the strike in the Duluth-Superior area has already cost our farmers $280 million, an average of 44 cents per bushel of grain.

It seems worth noting that a grain handlers' strike does not bear the immediately observable consequences for some of us that a strike by firemen or school teachers would.

The system of South Dakota grain transport a few hundred miles away from the low profile port of Duluth has the appearance of continuing to function. Although we can hardly conclude that they can do an adequate job by themselves, trains and trucks are moving the early portion of the harvest well enough to prevent any massive outcry from farmers.

But with area grain elevators already bulging at the seams—in advance of what is apparently going to be a formidable row crop harvest—only some kind of unforeseen miracle will prevent that situation from deteriorating in a hurry.

Exactly what form that deterioration is going to take is still beyond our grasp. But without question, we have yet to see the most serious negative effects on the grain pricing structure, even if the strike were to be settled today.

As was pointed out Monday in an Associated Press story, elevators are already showing a reluctance to buy grain, because they aren't sure if they will be able to get rid of it later.

Perhaps that is going to lead us into a situation where an unprecedented amount of shell corn ends up on the ground. Perhaps not.

But foresight would suggest that the less visible outcome of the Duluth grain blockade is, as we have suggested before, going to give this strike a prominence in a few months that it does not come close to having now.

Despite the almost mind-boggling millions of bushels that the elevators in the harbor area can hold—GTA alone has a capacity of some 19 million bushels—all the concrete silos are full.

A few ships are waiting around for the strike to end so that they can take some of the backlog out. But others, who learned of the strike before or after their arrival there, have since gone elsewhere.

The point is that it would take a lot of time, even with the expeditious scheduling of other vessels, to cut into that backlog. And the day is not that far off when the Lake Superior shipping season will end with the annual harbor freeze over.

If Midwestern farmers are to avoid what has all the appearances of a catastrophe, there had better be some action soon.

South Dakota Gov. William Janklow and agriculture officials here and elsewhere should be getting some visible support from the citizenry in their attempts to push matters toward a solution.

With no sign, at this writing, that the strike is close to a settlement, it would indeed appear that the job is left for President Carter to do.

And if state officials are unsuccessful in convincing him of the need for some forceful intervention, we doubt that Carter will ever have been hit by a more blinding flash of hindsight than is going to hit him in coming months.●

TAXPAYERS SHOULD NOT HAVE TO SUBSIDIZE INFLATION

● Mr. DOLE. Mr. President, yesterday the Commerce Department reported that the personal income of Americans rose only 0.4 percent in August, at a time when prices are rising an average of over 0.1 percent a month. The consequence is a decline in real income, another indication that the economy is entering a period of recession. With severe inflation showing no signs of abating, the American citizen will be squeezed uncomfortably between rising prices and declining economic growth.

Besides running inflationary deficits, the Government contributes greatly to the taxpayer's economic burden by exacting a tax penalty when income keeps pace with inflation. Inflation of income pushes taxpayers into higher brackets where the rates are out of proportion to their real income. The Tax Equalization Act, S. 112, would eliminate this inflation tax penalty. The Senator from Kansas is proud to be the sponsor of this legislation, which would adjust the tax brackets for inflation and tax real income at stable rates.

The opponents of the Tax Equalization Act are hard put to make an effective case for their position. The citizen favors indexing taxes for inflation: Last year a Roper survey showed that 57 percent of those polled preferred indexing to periodic tax cuts as a way to restore tax equity. More leading economists and political commentators are supporting indexing, particularly as double-digit inflation takes its toll on the American people. Honesty, fairness, and fiscal responsibility are all on the side of tax indexing.

What arguments, then, are mustered by the opponents of indexing? One of the most frequently heard contentions is that indexing would symbolize a surrender to inflation. By insulating the tax code from the effects of inflation, says the opposition, you will destroy a major incentive to control inflation and induce the public to adjust to inflation psychologically rather than resist it.

Mr. President, this argument makes no sense. The citizen, taxpayer or not, feels the effects of inflation only too sharply whenever he makes a purchase. Furthermore, the public is having to adjust to inflation anyway, as it unfortunately becomes a fact of life. The fact is that the tax-flation penalty exacted on taxpayers who keep up with inflation stimulates higher wage demands, and thus reinforces the inflationary psychology. Eliminating this tax penalty will enable people to demonstrate that we can begin to come to grips with inflation.

Indexing would not insulate anyone from inflation. As things now stand, only the government is truly insulated from inflation because it receives a windfall in revenues when people are inflated into higher brackets. Destroying this incentive for inflating the economy could work wonders in forcing the Government to moderate its spending, balance the budget, and demonstrate a serious commitment to fiscal responsibility.

Tax indexing concedes nothing to inflation. To the contrary, it is a vital step in the battle against inflation. As long as we recognize that Government, and not the citizen, is the problem, we must also acknowledge that we must eliminate the Government's incentive to fuel inflation. No one who is truly committed to the battle against inflation can afford to overlook the importance of the Tax Equalization Act to that battle. The supporters of tax indexing mean to win this one.●

TESTIMONY OF SENATOR HATFIELD ON SALT II

● Mr. McGOVERN. Mr. President, Senator HATFIELD appeared before the Committee on Foreign Relations yesterday to raise a cry of conscience against the expansion of nuclear arsenals which will take place under the SALT II treaty. Senator HATFIELD's testimony did not include the voluminous charts and detailed tables which SALT witnesses have been presenting to us for weeks. Instead, Senator HATFIELD appeared to bear moral witness to the menacing proliferation of nuclear arms and to the psychological mind-set which blinds the country to the dangers of new Hiroshimas. His statement was unusually compelling because Senator HATFIELD had visited Hiroshima only a few days after the dropping of the bomb. He saw and experienced what others only theorize about. I hope my colleagues will heed his impressions and respond to his call to question the mad momentum toward nuclear oblivion. I congratulate Senator HATFIELD on an excellent and moving statement, and I ask to print it in the RECORD for the benefit of my colleagues.

The text of the testimony follows:

TESTIMONY BEFORE FOREIGN RELATIONS COMMITTEE: SALT II

On a September day in 1945 I set out in a small landing craft from Kure up the estuary to Hiroshima. We arrived to be among the first outsiders to view the destruction of the bomb which had been dropped there the previous month. Many of those who had died from that atomic bomb and its after effects had not yet been buried.

My personal response was compounded by the fact that the bomb, in all probability, had saved my life. I was with the naval forces which had been through Iwo Jima and Okinawa; we were scheduled to invade mainland Japan, with an expected huge number of U.S. casualties. So as we approached Hiroshima, I remember wondering what the cost of this act, which had probably preserved my life, was.

What I saw in Hiroshima that day was beyond the comprehension of my mind and spirit. The devastation was so total, so indiscriminate, and so stark that it is difficult to recount my reaction.

I witnessed then the effects of a horror that is too terrible to imagine. It jarred me to the depths of my being and burned a lasting image in my conscience.

My attitudes and convictions about nuclear weapons and the arms race are rooted in that experience. It is my reference point as I try to respond to the ongoing arms race, the negotiations intended to control it, and the SALT II treaty now being considered by this Committee.

The bomb which was dropped on Hiroshima immediately killed 78,150 people, injured 84,000, and demolished 62,000 buildings. It destroyed the city. Thousands more died later, and today its aftermath is still being felt in the lives of those who were its victims.

By today's standards it was a very small bomb, equaling about 13 kilotons (13 thousand tons of dynamite).

Since that day, the United States has built an arsenal of more than 30,000 tactical and strategic nuclear weapons. The 9,994 strategic nuclear weapons of this arsenal, when compared according to what specialists call "equivalent megatonnage," meaning the area on the ground which is destroyed by a bomb, are equal to 76,363 Hiroshima bombs. When compared according to raw explosive power, our present strategic arsenal equals 246,000 Hiroshimas. And when our entire stockpile is included—tactical and strategic—the raw explosive power equals that of 615,385 Hiroshima bombs. The potential killpower of this stockpile, it has been estimated, is sufficient to destroy all humanity not once, but a dozen times.

Futuba Kitayama, who was a 33-year-old housewife when the atomic bomb fell on Hiroshima, remembers what she saw and felt:

"Under the bridge were floating, like dead dogs or cats, many corpses, barely covered by tattered clothes. In the shallow water near the bank, a woman was lying face upward, her breasts torn away and blood spurting. A horrifying scene . . . I wondered if the hell that my grandmother had told me so much about in my childhood had fallen upon the earth."

The United States' nuclear arsenal, matched by a comparable Soviet arsenal, can now create this hell on earth tens of thousands of times.

The stated purpose of the strategic arms limitations talks, when they began more than a decade ago, was to bring a halt to the escalating quantity and quality of nuclear weaponry. Judged according to that goal the process has failed. Since we first began talking about limiting nuclear weapons, the U.S. has tripled its strategic nuclear stockpile. Since the first SALT agreement was signed, both the U.S. and the Soviet Union have roughly doubled their arsenals.

The prospects under the proposed SALT II treaty are no better and in some respects are worse.

Since SALT I, the United States has been producing 2.2 new strategic weapons per day, or 800 annually. During the time of SALT II, the United States will produce 4.9 new strategic nuclear bombs each day. The rate of production will more than double.

Some of these bombs will replace existing ones which will be dismantled. Others will be net increases in the overall number of U.S. warheads, which will rise from 9,994 to about 13,054 by 1985.

Specifically, these warheads will be placed on new U.S. strategic nuclear weapons systems:

As many as 2,840 bombs on cruise missiles;

2,688 warheads on the Trident missiles;

2,000 warheads, now likely to be 550 kilotons each, in the MX missiles (after 1985).

The following replacements on existing weapons systems will be made:

1,000 new and very powerful bombs placed on our B-52s;

900 new Mark 12 A warheads put onto 300 Minuteman III missiles;

The probable replacement of the present 3,000 warheads on our Poseidon missiles with 3,000 new warheads.

Thus under the terms of the SALT II treaty the U.S. is able and likely to manufacture a total number of weapons equal to and perhaps even surpassing the total number of nuclear weapons in our present strategic arsenal. Including the MX warheads, and assuming that the present Poseidon warheads are replaced with new ones, the U.S. will produce 12,428 new nuclear bombs. These warheads, built with the SALT II treaty, will equal in their destructive power on the ground, 88,909 Hiroshimas.

Since many of these new warheads will replace existing ones, the net gain to our arsenal is less. But the rate of U.S. strategic nuclear bomb production will more than double during the time of SALT II.

Soviet warhead production is likewise unrestrained. Under SALT II their present 4,500 strategic warheads will be doubled. Though smaller in total number, many of these warheads are more powerful in raw terms than those of the U.S., although less accurate.

I do not understand, therefore, how the SALT II treaty can be heralded as a significant step in arms control. I do not even know how it can honestly be termed a Strategic Arms Limitation Treaty.

It allows the arms race to continue and to accelerate. What modest curtailments it does impose shrink into near insignificance, in my judgment, in the face of what the treaty permits.

This includes not only the quantity of nuclear warheads which are added, but even more so, the qualitative leaps which will be made. The new generation of nuclear weapons systems, all allowed under SALT II, will grant to the U.S. an assured ability to eliminate Soviet land-based missiles. As both sides deploy weapons capable of a first strike, the actual use of nuclear weapons becomes all the more likely; nuclear war is put on a hair trigger.

Thus SALT II fails to reverse the two most central dangers of the arms race: the increase in weapons and the qualitative improvements which increase the likelihood of using those weapons.

In the years which will be covered by the SALT II treaty, each day the possible use of nuclear weapons will become a more likely rather than a less likely event. With first strike counterforce weapons on both sides, the strategic environment will become increasingly insecure; the world will become less safe.

In response to such realities it is commonly asked, "Wouldn't this situation be even worse without SALT II?" But that is the wrong question.

Rather, the Senate must ask how, in giving advice and consent on SALT II, we can rescue ourselves from this desperate situation.

We cannot merely express the hope that SALT III will be better. We simply do not have the time. Weapons with a clear first strike counterforce capability will be in place before then. And it seems, in my judgment, to be naive and foolhardy to trust that the negotiating process, dominated by the military bureaucracies of both countries, will do any better in the future; in the past, it has barely inched along, while the arms race has sped us on toward oblivion.

The Senate and the public have a rare opportunity now to dramatically affect the course of those negotiations, reshaping them with the force of moral conscience and sanity. It will most likely be years before we will have such an opportunity again.

We must convert SALT II into an effective instrument for stopping the nuclear arms race.

The most simple way to do so is for both sides to agree to stop where they now are, knowing that for either side to continue adding to its arsenal is fruitless, meaningless, and irrational. This recognizes that notions of being ahead or behind in the competition for greater global overkill are without sanity or worth.

For this reason I have introduced an amendment to the SALT II treaty which would mutually prohibit further testing, development, or deployment of any new strategic weapons system not already deployed. It would prohibit deployment of any additional number of strategic arms beyond what each side possesses. This moratorium amendment would freeze the strategic arms race; it would stop escalation by simply halting it.

In so doing it would prevent the full deployment of first strike counterforce weapons on both sides; it would stop the next and most dangerous step in the arms race. But most importantly, it would represent a joint declaration that this race is not worth winning, and that we each passed long ago the threshold of sanity in our nuclear weapons competition.

The strategic nuclear arsenals of both countries are more roughly equal now than they have been for decades. Specific differences still exist in accuracy, numbers of warheads, throw-weight, and explosive power of bombs. The concept of SALT II is to allow each side to escalate their arsenals in a proscribed manner in order to reach a greater future parity.

Why not instead simply stop where we are; and then negotiate how each side will reduce their arsenals in order to eliminate any possible one-side advantages.

Though such an idea sounds fundamental, it has not been proposed by the U.S. negotiators. Neither the Soviet response, nor that by the U.S. Government, can be known for certain until the moratorium proposal is set into the heart of the negotiating process.

If adopted, such an amendment would dramatically change the climate of the SALT negotiations. Obviously, its incorporation into the SALT II treaty would require further discussions with the Soviets. But those talks would focus, finally, on what the SALT negotiations were intended to do: how to halt the arms race and fairly reduce our nuclear arsenals. It would also set an essential foundation to stop the menacing proliferation of nuclear weapons into third world nations.

The hell which I witnessed at Hiroshima is like a small spark when compared to the capacity for inferno which we now possess, and will greatly increase, under SALT II.

We must break free of the mindset which allows us to multiply the potential for the horror of Hiroshima thousands of times over without any moral qualm, without any spir-

itual hesitation, and without any deeper cry of conscience.

Reverend Kiyoshi Tanimoto was just outside Hiroshima when the bomb fell. He came into the city after the blast and recalls:

"I remember people lying in the park near our home, swollen to two times their size, crying, 'Water, water!' On the right bank of the river where I was, everything was so quiet. People were lying on the ground with me, dead . . . There was no animosity towards Americans, but since we saw the worst part of war, which had never before been seen in human history, we began to hate war itself. . . . So we regretted we had been involved in war itself. . . . We should not repeat this war psychology."

I trust that the Senate could hear and heed these memories and break the psychology which so binds us to this race toward oblivion.●

THE MINIMUM WAGE TODAY: HOW WELL DOES IT WORK?

● Mr. WILLIAMS. Mr. President, in 1977 Congress enacted the Fair Labor Standards Amendments of 1977 which provided for annual increases in the minimum wage for the years 1978 through 1981, with the increase on January 1, 1980, raising the minimum wage to $3.10 an hour.

Since the enactment of this legislation, critics of the minimum wage law have argued that increases in the minimum wage are having a harmful effect on the economy by adding to inflation, hurting small businesses, and increasing unemployment, particularly among minorities, unskilled workers and teenagers.

The problems of inflation and unemployment, particularly teenage unemployment, are indeed critical problems in our society, and it is essential that we find effective approaches to dealing with these problems. However, we in the Congress cannot formulate effective national policies to deal with inflation and unemployment unless we have a clear understanding of the complex factors which are causing inflation and unemployment, and how these factors relate to broader social problems.

Due to the seriousness of these problems, it is essential that we carefully evaluate the arguments of opponents of the minimum wage in order to determine if there is any validity in their arguments.

During the hearings on the Fair Labor Standards Amendments of 1977, testimony was heard from a number of economists which indicated that various research studies on the impact of the minimum wage on inflation and unemployment have arrived at different conclusions, depending upon the underlying assumptions on which the studies were based. A recent indepth analysis of the minimum wage by Sar Levitan and Richard Belous entitled "More Than Subsistence: Minimum Wages for the Working Poor," has just been published by the Johns Hopkins University Press and provides us for the first time with a careful evaluation of the validity of current studies of the minimum wage as well as valuable insight into the relation between the minimum wage, government transfer programs and the entire welfare system. Mr. Levitan is director of George Washington University's Center for Social Policy Studies and chairman of the National Commission on Employment and Unemployment Statistics; Mr. Belous is a research associate at the center.

Some of the conclusions of their study are summarized by the authors in an article entitled "The Minimum Wage Today: How Well Does It Work?" which appeared in the July 1979 issue of the Monthly Labor Review published by the Department of Labor's Bureau of Labor Statistics. Among the conclusions are the following:

First. In examining studies which have been done on the minimum wage, the authors found that the methodology used in many wage floor studies appears to be flawed and their conclusions highly suspect. The conclusions advanced by researchers depend on the assumptions they make, as well as the variables, data, and equations they use. These assumptions often reflect the normative judgments of the researchers.

Second. The best evidence suggests that the minimum wage has not been a major cause of unemployment, and whatever job dislocation may be caused by the wage floor is much less than that claimed by economists applying traditional orthodox methodologies.

Third. Concerning the impact of the minimum wage on teenage unemployment, the authors found that, even without a minimum wage, econometric evidence indicates that the post-World War II period still would have high rates of youth unemployment due to the baby boom which occurred during that period. Other factors, including the general level of business conditions, demographic forces, changing societal attitudes, and the rise in educational attainment, all appear to influence youth labor markets far more than minimum wages.

Fourth. The authors believe that Congress has shown restraint in determining the level of the minimum wage. Legislation which has pegged the minimum wage to about 50 percent of the average wage in manufacturing has served to moderate both the negative and positive aspects of the minimum wage.

Fifth. Although the minimum wage does result in some job dislocation, the social costs in most cases appear to be more than compensated for by the social benefits of the minimum wage.

Further, the authors find that, for adult workers, the income gain due to wage floors is far greater than any negative results which may occur. For teenagers, recent evidence indicates that the income gains are also greater than any negative employment effects.

Sixth. While the minimum wage does not greatly alter the pattern of income distribution within the American economy, it appears to have a statistically significant impact on reducing poverty. This is particularly important in light of the fact that, as the authors of this study point out, "millions of family heads are active workers, but they still cannot support their families at a minimally acceptable level above the poverty index. Despite improvements, about 12 percent of the U.S. population continues to remain in poverty."

Seventh. The authors emphasize that the minimum wage must be considered in relation to other social programs. Minimum wages have a role in the policy mix of income-support programs and must be considered in connection with the massive system of transfer payments. For example, the minimum wage cannot be separated from the problems of welfare programs. Without a wage floor, which is kept in line with inflation and growth in productivity, the income from welfare could be greater than the income from work and thus be a disincentive to work, resulting in higher welfare program costs.

Eighth. They are opposed to a subminimum wage for teenagers. In their opinion, the evidence shows that the minimum wage has not been the chief cause of youth unemployment. Moreover, due to decreased birth rates in the 1960's and 1970's, the bulge of teenagers entering the labor force has passed and the growth in the supply of young workers will be diminishing in the future. The minimum wage insures that work will be an attractive alternative to unemployment compensation and welfare payments for young workers.

Ninth. They support the idea of indexing the minimum wage in order to insure that the protection under the minimum wage law will not be eroded by inflation or wage gains in other sectors of the economy.

In conclusion, the authors of this study have found that "the minimum wage has served a highly useful function."

Mr. President, these conclusions of Messrs. Levitan and Belous, which are based upon a careful analysis of the existing research on the minimum wage, provide strong support for the views of those who support the annual increases provided under the Fair Labor Standards Amendments of 1977.

Their study shows the importance of looking at the minimum wage in a broader social context, in particular, its relationship to welfare programs and other costly transfer programs, and the essential role the minimum wage plays in alleviating poverty in our society. All of these factors must be considered by Congress in developing effective national policy to deal with the problems of unemployment, inflation, and poverty.

At the time the FLSA amendments were enacted, we recognized that the present state of research on the minimum wage is inadequate and has produced conflicting results. For this reason, the 1977 amendments established the Minimum Wage Study Commission in order to provide more adequate answers to the questions raised concerning the minimum wage. I am grateful for the insight research conducted by Messrs. Levitan and Belous, and I intend to insure that it is carefully reviewed by the Minimum Wage Study Commission.

Mr. President, I ask that the text of the article by Sar Levitan and Richard Belous be printed in the RECORD.

The article follows:

THE MINIMUM WAGE TODAY: HOW WELL DOES IT WORK?

(By Sar A. Levitan and Richard S. Belous)

"Work keeps at bay three great evils: boredom, vice and need," Voltaire wrote.[1] Whatever appeal this observation may have had two centuries ago, it falls short of universal acceptance in today's economy. While work provides self-fulfillment for some individuals, many jobs still require constant repetition of menial and monotonous tasks. It is doubtful whether they eliminate boredom, considering that the rewards for work in many cases do not free workers from Voltaire's third evil of want.

Millions of family heads are active workers, but they still cannot support their families at a minimally acceptable level above the poverty index. Despite improvements, about 12 percent of the U.S. population continues to remain in poverty.

Federal, State, and local efforts are directed to get unemployed persons or some who are outside of the labor force—including public assistance recipients—into productive employment. But if the wages paid are excessively low, then work will not keep poverty at bay.

More than two out of three individuals in the poverty pool of potential workers did work in 1976. During 1977, more than 5 million workers were in the labor force for 40 weeks or more, earned less than an annualized minimum wage, and also were members of families which had a total income of less than 150 percent of the poverty level.[2] For whites, this represented almost 6 percent of those with 40 weeks or more attachment to the labor force; for blacks and families headed by women this figure exceeded 15 percent.

Few government policies have been run through more statistical and econometric tests than the minimum wage. But quantity is not to be confused with quality. The methodology used in many wage floor studies appears to be flawed and the conclusions highly suspect. However, with recent developments in data collection, methodology and computer technology, a growing number of researchers have attempted to conduct more sophisticated statistical minimum wage tests. Yet, even with these advances, hard and fast quantitative results have remained elusive. Respectable studies have come down on all sides of the issues.

SOME TENTATIVE FINDINGS

The conclusions advanced by researchers depend upon the assumptions they make, as well as the variables, data, and equations they use. Because no one economic paradigm is held by all researchers, it is a natural result that numerous and different basic models will be applied to minimum wage investigations. The analyses, admittedly reflecting the normative judgments of the authors, suggest the following conclusions:

1. The dire predictions made by neoclassical economic theorists concerning the impact of minimum wages on aggregate unemployment are not supported by empirical research. The best evidence suggests that the minimum wage has *not* been a major cause of unemployment. Some job loss due to the wage floor has been detected, but it is much smaller than that claimed by orthodox economists.

2. However, selected labor markets may be more sensitive to minimum wages than others. Teenage labor markets, for example, do not appear to be immune from negative impacts caused by the floor on wages. But this is not the same as saying that minimum wages are the primary cause of youth unemployment. Even without a minimum wage, econometric evidence indicates that the post-World-War-II period still would have seen high rates of youth unemployment. The general level of business conditions, demographic forces, population migration, the influx of undocumented aliens, the extension of the welfare state, changing societal attitudes, including the entry of more women into the work force, and the rise in educational attainment all appear to influence youth labor markets far more than minimum wages. Added to these primary factors, the minimum wage does seem to involve some costs in the form of reducing youth employment levels. It also may be responsible in part for increasing the number of young workers who wind up with part-time jobs instead of full-time employment. There is no free lunch. Yet, minimum wages cannot explain the full extent of youth unemployment—or even most of it. Econometric estimates have not been able to agree on the size of these social costs.

3. A favorite model used to "prove" the damaging impact of minimum wages is one which ignores demographic factors. In the language of economists, these researchers consider only the demand for labor but not changes in the supply. Analysts who have considered the latter factor have often found that wage floor results lose any major significance. In some cases, the researchers bent on proving negative minimum wage impacts ignore the demands of the military for youth and the impact of training and employment efforts.

4. The statistical conclusions about the wage floor also depend upon the interaction of supply and demand forces. The assumption that the economy shows a good deal of wage and price flexibility leads to the conclusion that minimum wages appear to have a strong negative impact on labor markets. However, if the American economy demonstrates a propensity for wage and price rigidities, then conclusions about the harmful impact of minimum wages are vastly reduced. The latter assumption offers a much more realistic picture of the economy.

5. The varying conclusions reached by different researchers often depend upon the limited aspect of the wage floor issue a researcher considers. The vast majority of minimum wage studies have been concerned with the employment and unemployment effects of the wage floor. Because the minimum wage involves job losses, it does not necessarily damn the statutory wage rate. These social costs in most cases appear to be more than compensated for by the social benefits produced by the minimum wage. The few studies that have ventured beyond the confines of employment and unemployment have found other results caused by the minimum wage. For example, studies have shown that employers often respond to the minimum wage by efforts to raise productivity, improve training, and change work schedules. Despite indications that these variables have a dramatic impact on the results caused by the wage floor, few studies have tried to investigate these ramifications.

6. A controlling factor that has moderated the positive as well as the negative impacts of the minimum wage has been the restraint exercised by Congress in determining the level of the minimum wage. If the minimum wage were vastly boosted to, say, 75 percent of the average wage in the manufacturing sector, then some of the dire predictions might become manifest. Because unemployment effects have been modest with the minimum wage pegged to about 50 percent of the average wage in manufacturing, it does not mean it would be either safe or wise to set it at a much higher and untested relative level.

7. Because minimum wages involve a trade off of higher wages for a slightly diminished opportunity to find work, one must also consider the income side of the minimum wage equation. It has only been in recent years that researchers have tried to deal with this effect. The statistical evidence indicates that minimum wages may produce some job loss and other negative results for adult workers, but the income gains due to the wage floor are far greater than any injury.

On balance, then, adult workers appear to benefit from the wage floor. For teenagers, the tradeoff is more pronounced. While the income gains are clear, the opportunities to find full-time employment are reduced. However, recent evidence indicates that even for young workers the income gains are greater than the negative employment effects.[3]

8. It should not come as a surprise that the minimum wage does not vastly alter the pattern of income distribution within the American economy. It was never designed as a primary tool to achieve this goal, but the minimum wage does appear to have a statistically significant impact on reducing poverty.

IS THERE A BETTER WAY?

A few researchers have argued that the wage mechanism might not be the best tool for meeting minimal family income needs. If free market forces result in income levels below some social minimum, then the Government could make up the difference.

According to this view, a guaranteed income for working heads of households may have advantages over a minimum wage that would provide the same income. An unskilled and occasionally unemployed sole supporter of a family needs a higher minimum wage than does a youth working after school or a second family wage earner working part time. A guaranteed income could be more selective than the minimum wage, helping those with the most serious needs without raising standards for all workers and the labor costs for all employers.

However, a guaranteed income is likely to have other undesirable effects on labor market behavior. Policymakers have thus far failed to design a formula that would guarantee a basic income level without acting as a disincentive to work. Yet, even if this difficult problem can be resolved, a guaranteed income does not make the minimum wage superfluous. There is much to be said for encouraging people to depend upon earnings, rather than income support. The difficulty is to design a system that pays more for working than not working, and a strong and effective minimum wage aids in this design effort. Also, workers should be protected from exploitation.

In the real world, which is far different from economic models based upon perfect competition, some form of minimum wage regulation is required even from the point of view of allocative efficiency—not to mention equity. Equally important is the need to encourage workers to rise above the poverty threshold without relying upon income supplements. A guaranteed income without a minimum wage may also drive down the earnings of workers, and, rather than aid the working poor, the guarantee could be subverted into a windfall to employers at the expense of the Federal budget deficit. The minimum wage is, therefore, needed as a floor to express the socially recognized value of labor, rather than just to meet income needs.

MAINTAINING THE WORK ETHIC

American society appears to still place a high value on the work ethic. In considering possible welfare reform, the minimum wage has an important role to play in healthy maintenance of this work ethic. Without a wage floor, kept in line with changing price levels and growth in productivity, the income gained from welfare could outpace the rewards obtained from work for millions of Americans. Welfare could then become an increasingly rational alternative to work for a growing number of individuals and families. The choice between work and welfare is not an easy decision, as the widespread inci-

Footnotes at end of article.

dence of supplementing welfare with earnings from work suggests. Almost three out of five families receiving Aid to Families with Dependent Children have some earnings during the year. A breadwinner with three dependents in high welfare-benefit States such as Michigan and New York would need a full-time job paying in excess of $4 per hour (1978 prices) to match the value of maximum combined cash support, food stamp grants, and other in-kind assistance for a four-member family.

For these reasons, the minimum wage cannot be separated from the issue of welfare reform. A change in the income-support system without a strong wage floor can tip the scales against work and result in higher welfare program costs. This is one reason quick assessments of the minimum wage often fail to consider all the possible forces at work. For example, increasing the minimum wage might have some inflationary impact on prices. But if the minimum wage were not increased, the relative rewards from work would diminish, making welfare an attractive alternative. Not increasing the minimum wage could result in higher welfare costs and a larger budget deficit to finance the programs. To the degree that Federal budget deficits contribute to inflation, then *not* increasing the minimum wage might also have an inflationary impact on the economy. Hence, the impact of the minimum wage cannot be considered in isolation from other social policies and economic forces. Minimum wages have a role in the policy mix of income-support programs. Research and policy proposals that fail to interconnect minimum wages and other income alternatives, including the massive system of transfer payments, are not dealing with a major part of the total picture.

Minimum wages started as a modest effort to protect some of the working poor from exploitation in labor markets. In a mature welfare state, the role of the minimum wage has been expanded to protect overall societal values by striving to make work a more lucrative alternative than dependence. The current income support system does little for the working poor, and the minimum wage has been the prime program designed for this portion of the population. However, the minimum wage is not the only tool that could help these workers. Congress has already tried other methods to complement the minimum wage, including an earned income tax credit, and a new jobs tax credit.

Neither program removes the need for the minimum wage. The employee tax credit increases the net rewards from work efforts, while the employer tax credit is designed to reduce, in part, the cost of adding workers to the firm. A more direct method to help the working poor and increase employment has been wage subsidy proposals. Yet interestingly enough, most wage rate subsidy proposals do not obviate the need for a vigorous minimum wage program. In fact, more often than not the wage floor system is given an explicit role in wage subsidy proposals.

WAGE RATE SUBSIDIES

In general, wage rate subsidies reduce the labor costs of an employer. Most wage subsidy proposals would require the Government to supplement the wages paid to designated workers. The hourly payment could be equal to some percentage of the difference between a target wage and a worker's actual wage. With the Government picking up the wage subsidy bill, the income obtained from work would not be diminished and there would not be a negative impact on the incentive to work. At the same time, the net effect would be to make labor a cheaper resource for employers, and it is argued that the wage subsidies would induce firms to hire more workers and use more labor-intensive production methods. Instead of using the Government to regulate wages, the market forces of supply and demand would set wage rates, and the Government would pick up the tab to bring all earnings to a predetermined socially agreed target.[4]

It is charged that one fault of minimum wage programs is that many low-wage workers are not also members of destitute families. But a wage rate subsidy system also could suffer from problems of targeting protection to only the needy. Simulations have shown that a universal wage subsidy system would experience targeting problems similar to those of the minimum wage.[5]

Many proposals peg the subsidy to the mimimum wage, although the number of children in a family and the cost of living may also be considered in determining the size of the subsidy. For example, a family head with two children might have a target wage equal to 130 percent of the mimimum wage, while a family head with three children would have a target wage equal to, say, 150 percent of the mimum wage.

The alternative policy tool of a youth subminimum wage has also been suggested. Conceptually, a lower youth wage might be a desirable policy, but in the 1980's it would be instituted at the wrong time. Beyond the evidence that the minimum wage has not been the prime factor causing youth employment problems, demographic forces argue against such a change. Due to decreased birth rates in the 1960's and 1970's, the bulge of teenagers entering the labor force has passed, and the growth in the supply of young workers will be diminishing in the future. Subsidy of the private sector has not resulted in significant employment increases among the young. There are many structural, and cultural, factors causing high youth unemployment rates. It is impossible to offer work as an attractive alternative for young workers if their earnings are allowed to fall through the cracks of a modest wage floor. The Fair Labor Standards Act already allows employers to pay full-time students, learners, and handicapped workers at a subminimum wage. The exemptions are not difficult to obtain, in general, but often teenagers refuse to work at a subminimum wage. Many employers who could qualify for exemptions do not request them, and a large number of employers do not even fully utilize the exemptions they have received.

For related reasons, the concept of indexing the minimum wage makes a good deal of sense. Inflation and wage gains in other sectors erode the protection passed by Congress. Because Congress has shown a pattern of passing a minimum wage in the region of roughly 50 percent of the average in the manufacturing sector, an index could make this level of FLSA protection a continuing reality. An index of this magnitude would provide a degree of minimum wage stability in place of the current periodic legislative rounds with their uncertain results. If the index is set too high, then some of the negative consequences predicted by traditional economic theory might come true. But a modest index seems in order and would not hinder congressional oversight of the FLSA program.

HOW LITTLE WE KNOW

In the absence of an econometric breakthrough, it appears that we will continue to know a lot less about the actual effects of minimum wages than we would like. The possible margin of error remains significant. In the end, we are left with educated guesses that are nothing more than first approximations. Congress has recognized that it is being called on to legislate difficult problems without an adequate factual footing and has mandated the establishment of a minimum wage study commission. While this decision is to be welcomed, the caveats of the commission members should be heeded. As one member put it: "I do not visualize a world in which a study is completed that . . . will be generally acceptable . . . So even if we do the very best series of studies be prepared for criticism."[6] Wage floor analysis remains in part an art that cannot be totally divorced from value judgments.

Even given these uncertainties, our conclusion is that the minimum wage has served a highly useful function. Policy assessment is built on normative as well as technical foundations, and notions of success or failure are relative. The negative spillovers caused by the minimum wage are too frequently overstated. No matter how desirable a change, it is likely to have some undesirable side effects. Even in the case of teenagers, the social costs do not appear to be unmanageable, although the costs are considerable. Based on a range of studies, it appears that a 25-percent increase in the minimum wage would reduce youth employment by 3.5 to 5.5 percent.[7] Any wage losses due to unemployment must be balanced by the benefits, or income gains, due to higher wages received by workers who retain jobs. Given these estimates of an inelastic demand for young workers, the income gains appear to be larger than the social costs.

Any wage increase in excess of improved productivity contributes to a higher price level. Thus, raising the wage floor can add to inflationary pressures. However, aside from unreconstructed neoclassical economic ideology, there is little evidence that low-wage workers are being paid according to the value of their marginal product. Increasing the minimum wage is not inflationary if it prevents employers taking undue advantage and forces more efficient and equitable use of labor. Another goal of the wage floor is to use the Government to protect the interests of low-wage workers in an economy in which other groups press for wage or profit gains by exercising market power. In this case, the "inflationary" consequences of the minimum wage may be justified as compensatory, and the wage and profit gains which need to be checked are those won by vested interests with market power.

FOOTNOTES

[1] Voltaire, *Candide* (New York, Random House, 1948), pp. 147–48.

[2] National Commission on Employment and Unemployment Statistics, *Counting the Labor Force: Preliminary Draft Report* (Washington, The Commission, 1979), pp. 41–61, offers one alternative for the construction of an index.

[3] Edward M. Gramlich, "Impact of Minimum Wages on Other Wages, Employment and Family Incomes," *Brookings Papers on Economic Activity*, 1976:2, pp. 409–61.

[4] Lester Thurow, *Youth Unemployment* (New York, The Rockefeller Foundation, 1977), pp. 21–22.

[5] John Bishop, *The Administration of a Wage Rate Subsidy* (Madison, Wis., Institute for Research on Poverty, 1977), pp. 2–5.

[6] The Minimum Wage Study Commission, *Transcript of the public meeting held in Washington, D.C.*, Aug. 22, 1978, p. 91.

[7] Robert S. Goldfarb, "The Policy Content of Quantitative Minimum Wage Research," in Industrial Relations Research Association, *Proceedings of the Twenty-seventh Annual Meeting*, 1974, p. 266.●

ISN'T IT TIME TO HAVE A WOMAN ON THE SUPREME COURT?

● Mr. BAYH. Mr. President, I would like to call to the attention of my colleagues a very fine article appearing in the current issue of Redbook magazine written by a distinguished journalist with a unique perspective on the role

of women in our National Government, Liz Carpenter. Ms. Carpenter's article answers the question, "isn't it time to have a woman on the Supreme Court?" with a resounding "yes!"

Liz Carpenter's article presents a most compelling examination of the importance of a woman serving on the Court. The article is the product of a survey involving nearly 2,000 national, legal, and political leaders, who were asked to assess the qualifications of a group of prominent American women for membership on our highest Court. It represents one of the best and most thorough discussions I have seen of the ways in which we as a nation would benefit from the selection of a woman to serve on the Court, and I commend it to my colleagues.

Mr. President, today 45,000 women are members of the legal profession, and each year law schools throughout the Nation are training more female attorneys. Eight women were selected by those surveyed by Redbook as possessing outstanding credentials for service on the Court. Looking at this impressive list—Barbara Jordan, Judge Shirley Hufstedler, Martha Griffiths, Prof. Ruth Bader Ginsburg, Eleanor Holmes Norton, Patricia Roberts Harris, Judge Constance Baker Motley, and Carla Hills, one is immediately impressed with their individual records of accomplishment in the public sector, with their academic credentials, and importantly, with their extensive legal experience and expertise. What is more, each possesses the unique sensitivities and perspectives of women who have accomplished a great deal in traditionally male-dominated fields.

Should President Carter be faced with the task of appointing a new Associate Justice to the Supreme Court, I hope that he will give the most careful consideration to these women and others in the search for the best possible appointee. I ask that Ms. Carpenter's article be printed in the RECORD for the benefit of my colleagues who have not yet had the opportunity to read it.

The article follows:

ISN'T IT TIME TO HAVE A WOMAN ON THE SUPREME COURT?

(By Liz Carpenter)

The nine judges in the picture above sit on the highest court of the United States, and their decisions affect the rights of every citizen. They are, in effect, in all matters concerning our laws and our Constitution, our court of last resort. Thus, they have power over all our citizens, all our people of every race, color, creed, religion, background, economic class and sex. Yet every one of these judges is white and male but one, and that one is Black and male.

Women make up 51.3 per cent of all Americans. As citizens we are guaranteed justice under the law. But can we really believe justice is being served when the country's highest and most influential court lacks even one representative of the majority of its citizens?

From the first Monday in October through June of each year, nine men issue approximately 175 opinions interpreting laws that profoundly affect our individual liberties, reaching down to the very minutiae of our daily lives (determining the length of hair at state schools, for example, and whether seat belts shall be mandatory) and reaching into our morals, our ethics, our way of life (deciding what is a fair basis by which colleges shall admit their students, corporations shall hire their workers and social-security benefits shall be paid; ruling on laws of inheritance, rights of pregnant workers, custody of children, abortion, rape and alimony).

Yet despite its power to shape our lives and those of our children, there is not one person on the court—nor has there ever been—who is capable of bearing children, who needs to decide whether or not to be pregnant, who may be denied maternity leave and medical benefits. Not one has been turned away from a job, deprived of an inheritance or denied an educational opportunity because of sex.

The very purpose of a court with more than one judge—of a collegial Supreme Court with nine judges—is to bring the ideas and opinions of people of varying life experiences into the decision-making process in order to ensure the fairness of broad and varied points of view. The Court was designed to be balanced and representative. In truth, in our highest court the scales of justice are not balanced. They are held in the hands of nine men. No woman has yet had access to them.

But the call is growing—from women, from fair-minded men, from within the judiciary itself—to eradicate this national disgrace, which has survived 39 Presidents and 101 justices.

Never has a President nominated a woman for the Supreme Court since its creation in 1789. Only three Presidents have named a woman to the level immediately below the Supreme Court, the United States Court of Appeals: Franklin D. Roosevelt named Florence Allen; Lyndon B. Johnson named Shirley Hufstedler; and just this past spring Jimmy Carter named Phyllis Kravitch. As this issue goes to press, Carter has named eight women to the United States Court of Appeals, five of whom have already been confirmed. He has quadrupled the number of women in Federal district judgeships from four to 16. Another half dozen women nominated for judgeships are awaiting action by the Senate Judiciary Committee.

Today there are 45,000 women lawyers in America and dozens of them are potential Supreme Court nominees. These are women at the top of their profession, teaching in law schools, serving in the courts and political life; women with more than enough credentials, experience and wisdom to command the respect of their peers and win confirmation from the Senate.

The time is now. Five of the current nine justices are more than 70 years old. Very likely President Carter, who has done so well in appointing women lawyers to high Government posts, will have the chance to nominate at least one justice.

The time is now. I am not alone in saying that, nor is Redbook. To survey the national support for a woman justice, we submitted a list of qualified women candidates to 2,000 legal and political leaders—United States senators and representatives, officers of both the Democratic and Republican national committees, members of the American Bar Association, state governors, the deans of ten major law schools and leaders of many state bar associations and special task forces concerned with having a representative Supreme Court. We asked them to check the names they thought most outstanding and to suggest names of other women who they felt were strong candidates. Many respondents had no trouble listing additional qualified women. (See the box at right for the names of the eight women most widely supported for nomination.)

The names of these women may not be familiar to you, but how many Americans knew of Warren Burger, Lewis Powell or William Rehnquist before they were named?

The important point, though, is that there is wide support for having women on the Court both from legal experts able to evaluate judicial qualifications and from informed citizens who support a truly representative court system. Three former justices of the Supreme Court—Arthur Goldberg, the late Earl Warren and the late Tom C. Clark—expressed their support and the first ladies of three Administrations—Pat Nixon, Betty Ford and Rosalynn Carter.

Writing in support of the Redbook poll, David J. Levy, president of the State Bar of California, stated that "the increase of women lawyers brings us every day closer to the appointment of a woman justice"—something he strongly favors. Victor Kamber of the AFL-CIO's Task Force on Legal Reform concurred noting: "We are wasting some of our best talent."

Perhaps those most aware of what is missing in our fabric of justice are those few women who have managed to reach high positions in the Federal judiciary. They tell us that it is extraordinary how women in America have been limited—and they have indeed been limited—by what nine males think.

Why do so many people feel so strongly that we need women on the courts? How have women been affected by 200 years of exclusion from the most important legal decisions, the judicial form of "taxation without representation"? What difference will women sitting on the Supreme Court make? How are we to answer those who think the Redbook poll is merely reverse sexism, a device for excluding men, as one of our respondents insisted that it was?

To press for a woman's appointment to the Supreme Court is more than asking for affirmative action, more than demanding a highly visible symbol or winning a point. It is vital if we are to obtain true justice. Take a look at the Court's decisions on child support, social security and equal employment opportunity and you can see that it shapes policy in a way that touches directly all women's and men's lives.

Members of the Court, appointed for life, bring a variety of experiences to their deliberations. But the life experiences of women are quite different from the life experiences of men, just as the experiences of Blacks are different from those of whites.

It is only since 1967 that the Court has included a Black justice, and its deliberation process is stronger because of it. For along with his judicial learning, Justice Thurgood Marshall can contribute a particular sensitivity and help achieve a balanced consensus when the Court considers issues involving race, poverty and civil rights. In October, 1978, for example, the Court gave its decision on the Bakke case, dealing with alleged "reverse discrimination" at the University of California Medical School at Davis. Justice Marshall's opinion was undoubtedly shaped by his living as a Black man in white America, and it added a significant and necessary perspective to the Court's deliberations.

But until the first woman justice is appointed, there is no one to bring the life experiences of women into the court of last resort, no one to sensitize fellow justices to the realities of women's lives, no one to debate privately or dissent publicly against the claim—repeated by Justice Powell as recently as the Bakke case—that equality between the sexes is a minor issue compared to racial equality—as if discrimination against women is not as fundamental an injustice as discrimination against Blacks or other minorities.

Unfortunately, the Court has a long history of insensitivity to women. In 1873, for example, when a woman attorney, Myra Bradwell, was denied a license to practice law before the Illinois Supreme Court and appealed, the U.S. Supreme Court upheld this decision with dubious logic: "That God

designed the sexes to occupy different spheres of action and that it [belongs] to men to make, apply and execute the law [is] regarded as an almost axiomatic truth."

Even recently, in the 1976 case of Gilbert v. General Electric, the Court ruled that an employer can deny a female employee disability pay for pregnancy leave and not be liable for practicing sex discrimination, even though the same employer gives disability to men seeking vasectomies or hair transplants. Is this equal justice?

With an all-male Supreme Court, the Constitution traditionally has been interpreted to reflect male bias. Now we have 200 years of precedents, legal decisions, statutes and customs that reinforce women's special place-as a second-class citizen. As Justice Brennan has acknowledged, "historically, women in this country have been treated with romantic paternalism," and put "not on a pedestal but in a cage." To open the door of that cage, to give women a secure and rightful place in the Constitution, we need the Equal Rights Amendment. And to interpret and enforce that amendment in the ways members of Congress intended when they voted so overwhelmingly for it, to bring a new equality to the daily lives of all women and men, we need women at every step of justice, and especially at the highest step, the Supreme Court.

History shows us that women cannot always rely on even the most distinguished male justices, but it also teaches us that we are not as far from a remedy as many believe. Just in the past few years, women have begun to attain their rightful place in our courts. Juries now include women on principle, as a matter of fair representation. Law schools report that female enrollment has swelled, that women often outshine male students. From the ranks of 45,000 women lawyers in the United States, more have been appointed to judgeships than ever before. And it is a truism that the special few who have been elevated to the Federal bench are among the most capable in the whole profession.

What further credentials does the first woman Supreme Court justice need? In the past, what often seemed required was knowing the right power broker.

Justices are supposed to represent "our best," yet other factors have always entered into the selection. Presidents have named judges because they represented a particular section of the country or a political party or a particular race or religion—all in an effort to "balance" the Court. In 200 years the only "extraneous" factor that has not been considered is the sex of the justices—as if that were somehow not necessary for true balance.

In the cases of distinguished justices, appointment has been based on the kinds of credentials and talents that the women named in Redbook's poll match—or top. In terms of education and experience, in terms of intellectual and personal honesty, in terms of legal scholarship and professionalism, they can sit side by side with members of the current Court.

Those who know best, justices past and present, have given Redbook their own assessment of the most desirable qualities for a Supreme Court nominee: intellectual brilliance; ability to realize that the Constitution is a goal, a guiding document; being well-read—of something more than legal opinions; ability to write well; ability to persuade, which helps in securing a consensus; humor, particularly about oneself, which helps provide a sense of proportion, open-mindedness; the courage to take unpopular positions.

These qualities are not carried only by the Y chromosome. They are found in both sexes.

In addition, women on the Court will contribute to a new quality of justice that is, to a more sensitive and thorough examination of issues that touch women and men, the family and society. They will also have a voice in deciding which of 4,000 cases submitted each year deserve to be heard.

But at the most basic level, this is an issue of simple justice. Women make up 51.3 per cent of our citizenry. Whatever role we play in society—wife, worker, homemaker, property owner, retiree—we deserve nothing less than equal protection under the law and fair representation in our courts. The time has come for women to serve on the Supreme Court.

After 200 years of allowing a basic injustice in our court system, it is time for us as an enlightened society to balance the scales of justice in America.

Following are profiles of the eight women who led the Redbook Poll for nomination to the Supreme Court.

BARBARA JORDAN

A former Congressional representative, Barbara Jordan left the legislative forum at the age of 43 to pursue a scholarly career, but she remains the American woman most favored to win higher office. Though she seeks nothing beyond serving as a professor at the Lyndon B. Johnson School of Public Affairs, she led Redbook's Supreme Court Poll this year by a wide margin.

Ms. Jordan's passion for the constitution was dramatized on home television screens during the House Judiciary Committee's 1974 hearings on the possible impeachment of President Nixon. She declared in that majestic voice, "I am not going to sit here and be an idle spectator to the diminution, the subversion, the destruction of the Constitution." She was described as the "best mind on the committee."

During six effective years in the Texas Senate, half the bills Ms. Jordan introduced were enacted into law. Most were aimed at establishing the Texas Fair Employment Practicement's Commission, improving workmen's compensation and designing the state's first minimum-wage law to cover "the really poor—laundry workers, domestics, farm workers."

The enigma of Barbara Jordan is that she walked away from national power to live in a remote suburb of Austin, Texas, to teach—at her insistence—small graduate seminars, including one on ethics, the subject that arouses more passion in her than any other.

SHIRLEY M. HUFSTEDLER

Presently serving as judge on the United States Court of Appeals for the Ninth Circuit, Shirley M. Hufstedler, 53, is a highly respected jurist. Until recently she was the highest-ranking woman in the Federal judiciary.

Since being graduated from Stanford University's law school, where she was an honors student and an editor of the law review, her career has taken her up the judicial ladder: lawyer in private practice in Los Angeles, special legal consultant to the attorney general of California, judge of the Superior Court for the County of Los Angeles, associate justice of the California Court of Appeals, circuit court judge on the United States Court of Appeals, where she has served since 1968.

One step away from the Supreme Court, Judge Hufstedler's opinions, papers and lectures are recognized for their clarity and good sense.

In a lecture at New York City's Columbia University, Judge Hufstedler spelled out the challenge: "The courts offer the last hope for some kind of hearing to millions of Americans. [Their] encounters with legislatures and bureaucracies have left them folded, stapled and mutilated without anyone's listening to their complaints. American courts are engaged in filling in the cracks that legislatures have negligently or deliberately left in statutory schemes."

MARTHA GRIFFITHS

At 67, Martha Griffiths, gives credit to her lawyer husband who "dragged me into law schools in the first place." There the dragging ended. She was off and running for a seat as Congressional representative from Michigan. Griffiths spent 20 years in the House and served on the powerful Ways and Means Committee.

She left Congress in 1974, now practices law with her husband, Hicks Griffiths, and serves on the boards of four corporations, including Chrysler and Burroughs.

Ms. Griffiths is remembered for her ability to get Congress to pass the Equal Rights Amendment in 1972 after it had been stalled or voted down for 47 years. She "worked" the House for votes, trading until she had the necessary number.

Earlier she successfully argued for inclusion of the word "sex" in Title VII of the Civil Rights Act of 1964, the law that she feels has had the most far-reaching effects of any passed in the last 200 years.

"I've watched the inequities over the years," says Ms. Griffiths. "The laws of this country are discriminatory. The men who make our laws are mostly looking back at the traditional family of thirty to fifty years ago. This country has changed incredibly since then.

RUTH BADER GINSBURG

Currently a professor of law at Columbia University, in New York City, Ruth Bader Ginsburg, 46, has served as general counsel for the American Civil Liberties Union. A brilliant litigation strategist, she was founding director of the American Civil Liberties Union women's rights project.

She experienced discrimination firsthand at Harvard Law School. As a woman, even as a member of the law review, she was denied access to one section of the Lamont Library. She received her degree from Columbia Law School.

Ms. Ginsburg has briefed or argued and won most of the landmark Constitutional challenges to discriminatory laws based on sex to come before the Supreme Court.

Author of many articles on women and equal rights, she is a coauthor of Sex-Based Discrimination, which is considered an authoritative source in this area.

Asked about her success, she replied, "It's something much deeper than any legal talent I have. Equality for women is something I sincerely believe it right."

ELEANOR HOLMES NORTON

Former commissioner of New York City's Human Rights Commission, Eleanor Holmes Norton, 42, is chair of the Equal Employment Opportunity Commission. She is the first Black woman to head the nation's most powerful, antidiscrimination agency, and is known as a no-nonsense, clear-thinking administrator who gets at the root of discrimination.

Outspoken and assertive, she says, "There are two principles I believe in strongly. One is racial equality, the other is free speech." She spent five years as a lawyer with the American Civil Liberties Union and has represented clients of all political persuasions, including Julian Bond, who was denied his Georgia legislative seat because of his outspoken opposition to the war in Vietnam, and avowed segregationist, George Wallace, who was denied a permit for a rally in New York City.

Ms. Norton's most publicized case in sex discrimination was winning promotions for 60 women employees who accused Newsweek magazine of job discrimination. "Society is organized so that it depends on discrimination against women," she says, and in contrast to Justice Powell, Norton states: "Blacks have felt it only in the last several hundred years, but for women it has been throughout history."

Eleanor Holmes went to segregated schools in Washington, D.C., received her B.A. from Antioch College, in Yellow Springs, Ohio, and her LL.B. from Yale University in 1964.

PATRICIA ROBERTS HARRIS

Formerly Secretary of the Department of Housing and Urban Development, Patricia Roberts Harris, 55, was recently appointed Secretary of the Department of Health, Education and Welfare. After having been graduated with a law degree from the District of Columbia's George Washington University in 1960, she began her career as a trial attorney in the Department of Justice. Soon she became associate dean of students at Howard University, in Washington, D.C. President Johnson appointed her ambassador to Luxembourg. After two years abroad Harris returned to Howard University, as dean of the law school.

In 1969 Harris began to practice corporate law as a member of the firm of Fried, Frank, Harris, Shriver and Kampelman, and she was named to the boards of the National Bank of Washington, IBM and Scott Paper Company.

During the 1972 Democratic National Convention her exceptional talents as an unruffled mediator won her applause as chairman of the Democratic Committee's hearing to revise party rules, which allowed more minorities and women to serve as delegates to the national party convention—a ruling that affected both national parties.

When President Carter named her to the Cabinet as Secretary of the Department of Housing and Urban Development, she was asked by Senator William Proxmire, "How can a corporate attorney like you have any feeling for the poor?"

"Because this corporate attorney is the daughter of a railroad waiter," she replied.

In the President's Cabinet she is known as a dynamic fighter for her programs.

CONSTANCE BAKER MOTLEY

A U.S. District Court judge for the Southern District of New York, Constance Baker Motley, 58, was named to the court in 1966 by President Johnson. She was the first Black woman in U.S. history to sit on the Federal bench. Until very recently, she was the only Black woman so to serve.

Judge Motley first gained national attention as a civil rights lawyer, defending Martin Luther King and other activitists during the stormy protest days in the South. As associate counsel of the Legal Defense and Educational Fund of the NAACP, Constance Motley was involved in virtually all the important civil rights cases of the 1960s. By 1961 she had argued ten cases before the Supreme Court, and won nine of them.

In 1964, as the first Black woman to be elected to the New York State Senate, she concentrated on the problems of housing, education and employment.

Judge Motley, the ninth of 12 children, attended the New Haven, Connecticut public schools, New York University and entered Columbia University Law School. Upon her graduation in 1946 she joined the legal staff of the NAACP Legal Defense and Educational Fund.

CARLA ANDERSON HILLS

One of the best-known, most respected women attorneys in private practice, Carla Anderson Hills, 45, is a partner in a major Washington, D.C., law firm.

In 1975 she became the third woman in the nation's history to hold a Cabinet post, serving as Secretary of Housing and Urban Development under the Ford Administration. Many cricitized her appointment, pointing to her lack of experience in housing matters. However, she established a reputation as a quick study and a tough administrator. After two years she earned the respect of mayors, congressmen and housing representatives for her hard-driving administration of what had been a demoralized and inept department.

Her first Government post in Washington was as assistant attorney general in charge of the Justice Department's Civil Division, a post once occupied by Chief Justice Warren Burger. By all accounts, Ms. Hills did a highly efficient job.

A native of California, Ms. Hills is a graduate of Yale Law School.

Mrs. Hills practices law with her husband, Roderick Hills, specializing in antitrust law. She also sits on the boards of several major corporations, including IBM and American Airlines.●

SALT II STATEMENTS OF WITNESSES IN HEARINGS BEFORE THE SENATE COMMITTEE ON FOREIGN RELATIONS

Mr. CHURCH. Mr. President, on September 10, the committee resumed its consideration of key issues related to the SALT II Treaty. On the morning of September 10, Senator BIDEN's European Affairs Subcommittee heard from Mr. Paul Thyness, Mr. Patrick Wall, Mr. Klaas G. de Vries, and Mr. Peter Corterier from the North Atlantic Assembly, and Prof. Stanley Hoffman of Harvard University. In the afternoon the committee heard a panel of outside experts, Ambassador Paul Warnke, Dr. Wolfgang Panofsky, and Dr. Donald Brennan, discuss SALT and arms control.

On September 11, the committee—in executive session—heard from three leading critics of the SALT II Treaty: Paul Nitze, Lt. Gen. Edward Rowny and Adm. Elmo R. Zumwalt. In the afternoon the committee examined, in open session, ICBM issues related to SALT II. Appearing before the committee were Jan Lodal, Michael May, and Paul Nitze.

The committee's final hearing last week on September 12, concerned the administration's decision on the "racetrack" basing mode for the MX missile. Two administration officials—Under Secretary William Perry of the Defense Department and Ambassador Ralph Earle II, Chairman of the U.S. SALT delegation—testified.

This week the committee is hearing from Members of Congress on the SALT II Treaty and Secretary of Defense Harold Brown on defense expenditures.

Mr. President, I ask that the statements of the witnesses cited above be printed in the RECORD at this point.

The statements follow:

STATEMENT BY HON. PAUL THYNESS

The North Atlantic Assembly is a semi-official organisation of parliamentarians that was started 25 years ago—five years after the signing of the NATO Treaty—by a number of European and Canadian members of parliament soon joined by a number of prominent Senators and Congressmen from the United States, who felt that parliamentarians in a modern democracy have an increasingly important role to play in questions of foreign policy and defence as intermediaries between governments and people. To discharge these duties members of parliament needed a forum to provide a greater active involvement in the affairs of the Alliance, independent sources of information and broad contact with their colleagues from Allied nations.

The organisation was first known as "The NATO Parliamentarians' Conference" and grew from an annual meeting to a permanent body that assumed the name of the North Atlantic Assembly in 1966. It has a bureau consisting of a President, three Vice-Presidents and a Treasurer, one of whom must always be a North American. The bureau is supported by a Standing Committee of one representative of each national delegation, and an international secretariat situated in Brussels.

The Assembly works through five main committees: Political, Military, Economic, Scientific and Technical, and Education, Cultural Affairs and Information Committees. These committees in turn may establish subcommittees for dealing with specific issues.

The group meeting with you today has been called—for want of a better name—a Presidential Working Group. It has for various reasons not been set up as a sub-committee by the ordinary procedure, and it cannot speak for the North Atlantic Assembly as such. Its main task is to co-ordinate preparations for the discussions on strategic arms limitations and theatre nuclear modernisation at the Assembly's annual plenary session in Ottawa in late October this year.

While it cannot speak for the Assembly it is, however, a singularly representative group comprising the Chairman and General Rapporteur of the Military Committee, the General Rapporteur of the Political Committee and the President of the Assembly. These four people come from two of the greater European Allies, United Kingdom and the Federal Republic of Germany, and two small Allies, the Netherlands and Norway.

Two are Conservative, two are Social Democrats. One Conservative and one Social Democrat belong to parties in government and one of each to parties in opposition. And we are all four of us deeply concerned with politico-military affairs in our respective parliaments.

With the Committee's permission I would now like to turn to my views and impressions of the substance of the matter before us, i.e. European reactions to SALT II.

I think it is correct to say that broadly speaking both detente and arms control measures have over the years been more popular issues with European politicians and voters than with their North American counterparts. There are a number of reasons for this. One is that the European nations individually cannot match the Soviet Union militarily. The United States can, and NATO collectively can, but dependence on others will never breed that deep sense of self-reliance that comes from a knowledge of being able to go it alone if necessary. No European nation can do that, and this fact naturally colours European thinking. Another reason is that the European nations are very much aware that they would be the first casualties in any armed conflict between the Warsaw Pact and NATO. And Western Europe, with its small, densely populated territory, has been engulfed in devasting wars twice already in this century.

This attitude must not be confused with appeasement or defeatism. For instance in Norway—one of your smallest Allies and one of the two with a common border with the Soviet Union—recent polls have shown 84% of the people to support our military defence and 65% actively to support our membership in NATO. There is no tendency to uncritical accommodations to Soviet wishes. But the perspective is somewhat different from the one commonly found on this side of the Atlantic. For Europeans a normalisation of East-West relations and a dialogue between the super-powers is viewed more pragmatically and has a somewhat deeper and more immediate significance than is felt by most Americans.

On this background Europeans welcomed the SALT process from the start, and European reactions to the SALT II treaty as it has emerged have been markedly favourable.

There are of course critical voices to be heard, but they are few. For the most part European support for SALT II has been overwhelming.

The more generalised criticism that surfaces from time to time is directed against the treaty for not being what is was never intended to be, viz. a treaty designed to enhance the security of Western Europe specifically and directly. The primary impulse behind the SALT process has been to secure limitations on the intercontinental nuclear systems, traditionally termed "strategic" systems. This dividing of nuclear weapons systems into "strategic" and "tactical" is imprecise and generally unsatisfactory, in that it leaves out nuclear systems aimed at Western Europe. For that reason and with considerable merit it has lately become fashionable to speak of "Eurostrategic" systems. But this is a fairly recent development, and the fact remains that the negotiations have not, until the very last stage, involved systems of direct and specific relevance to the European theatre. It will be remembered that the United States consistently, and with full concurrence of her European Allies, has rejected Soviet efforts to include U.S. systems based in Europe. It will inevitably distort the picture if this historic perspective on the SALT II treaty is forgotten.

This is not to say, however, that the central nuclear balance is not a relevant European concern. These systems represent the final and indispensable guarantee for the security of Western Europe, and an agreement that affects this balance also effects European security. But apart from the tiny minority that specialises in the somewhat arcane world of strategic theory where the conclusions one reaches fairly often are of doubtful relevance to the affairs of living and breathing men, most Europeans are content to study the treaty in its broadest terms. These appear to indicate that SALT II does establish a position of "essential equivalence" where advantages for one side in certain areas are balanced by concessions in others. It is extremely difficult to see how, as some critics assert, the United States is moving into a position of strategic inferiority. Nor have I seen it substantiated that the treaty in any way undermines or diminishes the U.S. guarantee to Europe. That guarantee has always been a question of trust, unknowable and unprovable, to us and to the Warsaw Pact, and nothing in the treaty challenges that basic trust. I would like to go on record as one who feels this trust, and I know that my belief is shared by the overwhelming majority of my countrymen.

I think it must be accepted that over the last decade the military balance has tilted significantly in favour of the Warsaw Pact, leading to considerable uneasiness in most Western European countries. In Norway our worry is mainly concerned with the Soviet naval build-up, in other countries the focus is more on Soviet superiority in armour and more recently on superiority in theatre nuclear forces. The need to redress the balance has become pressing before the gap creates a situation in which Western Europe becomes highly vulnerable to Soviet pressure. This means that there is a need for a costly modernisation of conventional and theatre nuclear forces in Europe, but hopefully kept within reasonable bounds by substantial arms control measures—MBFR and SALT III. But the gateway to SALT III is obviously SALT II, and it is difficult to believe that MBFR could continue in the wake of a defeat of SALT II. Without SALT II the watch will be put back several years and the climate for negotiations will inevitably deteriorate to a point where we in fact will only be left with the one option of matching the Soviet build-up at all levels, strategic, theatre nuclear or Eurostrategic and conventional.

This in a no-SALT environment may prove to be a very difficult task, and much more than with a SALT II treaty in the background. I seriously question the possibility of persuading European public opinion to back nuclear and conventional modernization if the United States rejects the SALT II treaty. In my opinion the acceptance of SALT II would not produce a climate in Western Europe that would undermine military vigilance; rather, it would signify a willingness on the part of the Western World to go along with serious arms control measures and a reluctance to participate in an unrestrained arms race that could erode public support for maintaining an adequate defence posture.

Meeting the Eurostrategic requirements will also require active participation on the part of the United States. Except for the British and French nuclear forces it is the United States that holds the nuclear umbrella over Western Europe. This of course is of crucial importance to prevent a total defeat for our civilization. But the strategic nuclear systems are last resort forces, and not forces that directly counter-balance the kind of pressure that the Soviet Union can exert on Western Europe on the basis of conventional superiority backed by a superior theatre nuclear capability.

That balance can only be achieved with American participation at all levels. Without SALT II Europeans may have reason to fear that the United States will have to pour so much money and effort into the strategic arms race that the contribution to the defense of Western Europe will suffer.

Seen through European eyes it is obviously a much more attractive alternative to get some measure of stability in the strategic balance through SALT II, and at the same time preserve the United States as an active participant in those fields which are of more immediate concern to Western Europe. And I believe that this also makes good sense in the context of the American security and global policies.

At the outset of the debate in Europe some anxiety was expressed concerning the ambiguity of the non-circumvention clause. If it could involve the American assistance to the United Kingdom in the modernization of its strategic force or the deployment to Europe of cruise missiles for use in the theatre role it would indeed have put a different complexion on the treaty, and might very well have had a serious negative effect on European attitudes. In fact I believe that before clarification on this point was obtained some scepticism was created that has not been completely dissolved. It is a fairly common phenomenon which we politicians have to live with that initial impressions die hard.

However, the Administration has repeatedly stressed, and has indeed formally stated in a letter to the NATO Council, that not only has the United States consistently rejected the inclusion of a non-transfer provision in the SALT II agreement, but it has made it clear that the transfer of weapons and technology to the Allies will continue and cannot ipso facto constitute circumvention. In the light of this statement and the testimony of Administration witnesses before his Committee I believe that any serious question on this point has been satisfactorily answered.

Another point of a similar character was the initial debate over the question of the duration of the protocol to the treaty, although this was not only a specific European concern. In my opinion critics of the treaty were quite right in pointing out the danger of the protocol being extended beyond 1981. We all know how easily such provisions become an integral part of an established order.

The Administration might very well find itself in the position either having to prolong the protocol, and thereby further postponing the possible deployment of ground and sea launched cruise missiles, or refusing to prolong the protocol, and thereby appear to undermine ongoing negotiations. But that situation cannot arise when the possible extention of the protocol has been extensively debated and decided against beforehand. Witnesses for the Administration have repeatedly stressed that the protocol will end in 1981, and have also intimated that the Soviet Union has accepted this. Under these circumstances it is the prolongation of the protocol that would constitute a major new departure. Thus one of the weaker spots in the whole package has been effectively dealt with.

It has been said that the United States did not consult with her European Allies during the negotiation process, that what was called consultations was more like briefings on a take it or leave it basis.

To my mind this is largely a question of semantics. Consultations is a point on a scale that ranges from the European Allies dictating to the United States on the one side, to the Europeans being told flatly what the United States has decided at the other extreme.

The facts as I have understood them are that the Administration deserves high praise for the frequency with which it has informed the Allies of developments throughout the negotiation process. In matters that have been of particular concern to the Europeans, for instance the non-circumvention question and the questions relating to the protocol issue, the Allies have been given every opportunity to express their views fully before the United States committed herself vis-a-vis the Soviet Union. Undoubtedly there have been situations during seven years of negotiation when the consultation process did not function at its optimum. Progress in such negotiations is not always orderly and evenly spaced, sometimes there has been little time for real consultations, sometimes the sensitivity of the issues has worked against the ideal form of consultations.

On the other hand, the European Allies have not always earned full marks for active participation. I believe it can be argued that a consistently greater response from the Allies would have triggered improvements in the consultations generally.

What is of particular importance is two things. First, that it is very rare to meet anyone who really feels that European interests have been neglected during the negotiations. Secondly, when we hopefully start on the SALT III negotiations, direct European interests will be much more concretely affected. Here the consultations must be broadened compared to what was natural and necessary during SALT II. If the criticism aimed at the SALT II consultations has served to sharpen the awareness of this respect it will have been of real service to the Alliance as such.

I would like to end my statement on the point which I believe is perhaps the single most important one, namely the results to be expected in Europe if the treaty should not meet with the approval of the Senate.

We all know that the role of the legislature is much smaller in foreign affairs than in domestic affairs. For a variety of reasons foreign affairs has always and in all countries been the particular province of the executive power. The corollary is that when it comes to other countries all of us tend to look to a President, a Prime Minister or a Foreign Secretary to speak legitimately and responsibly for their country's interests. Foreigners will always have difficulties in understanding major differences of opinion between Government and Parliament.

We have witnessed the total incomprehension on the part of the Soviet Union of the role of the Senate in shaping foreign policy. Here we were faced with a combination of the general problem and a specific problem that has its roots in the vastly different Soviet system. But the Europeans are not immune either to this compound problem.

In Europe the parliamentary system of government is prevalent, and since this implies that the government will have to resign if it is voted down in parliament on a major issue, the system has evolved in a way that has imposed great restraints on the individual members of parliament. European members of parliament very rarely have that freedom to exercise an independent and personal judgement which is a matter of course in the United States Senate.

I am very much afraid that an adverse vote in the Senate will never really be understood in Europe. And when people do not understand something they become suspicious, and the explanation they make up are usually rather ungenerous if not outright hostile and accusatory.

If I had no other reason to support the treaty, this would have been enough. Previous witnesses before this Committee have underlined that Allied expressions of support for the treaty have been influenced among other things by European domestic pressures. This I believe is true. But it would be wrong to ascribe this pressure to European political leaders' fear of losing the next election. Few elections are lost on questions of foreign policy, and SALT II is not an issue of that kind. The pressure felt by political leaders stems from a recognition of the vital necessity of ensuring public support at all times for the NATO Alliance and the national defense posture, and of the devastating effect non-ratification is likely to have on the credibility of both the United States' leadership and the aims and purposes of the Alliance. We in Europe will be faced with a public opinion problem of staggering proportions, and no doubt the Soviet Union will work that for all it is worth.

I quite realise that this is only one of the many points the Senate will have to consider, and perhaps not a major one seen from this side of the Atlantic. By the Constitution of the United States it is the right and the duty of the Senate to work the will of the American people, not the Europeans. But in the same way I as a European politician must try to persuade you of the case for Europe. Fortunately I am aided in this by a firm conviction that in the long term there is no conflict of interest between us, and that nothing which harms the one can serve the other and that no dividing influence can serve either.

PREPARED STATEMENT OF MR. PATRICK WALL

[NOTE.—The figures in the text are drawn from US sources and the figures in parentheses from non-Government British sources.]

In this prepared statement I propose to amplify certain specific issues, namely the strategic nuclear balance, domestic political controversy, and the Euro-strategic and theatre nuclear balance made in my verbal presentation as well as dealing with some points on the East-West balance that we may have to face in the next few years.

THE NUCLEAR BALANCE

The balance since S.A.L.T. I

The SALT I Agreement in 1972 was justified by some as an Agreement that codified strategic parity. It has also been stated that, in fact, it allowed the USSR some 50 percent more ICBM Launchers and 45 percent more SLBM Launchers than the USA. The throw-weight of the deployed Soviet ICBMs was also considerably more than that of the US ICBM's. However, it was claimed that because of superior MIRV technology, and its lead in heavy bombers, the U.S. could afford the Soviet advantage in the number of ICBM Launchers.

In fact, the USSR caught up with MIRV technology within two years. In 1974 the Vladivostock understanding prolonged SALT I and was based on essential equivalence in launchers; 2,400 each including 1,320 MIRV Launchers; freedom to determine the mix of weapons and no restriction on the number of warheads in each MIRV, but there was no reference to advanced technology weapons such as the Cruise Missile. It formed the framework of SALT II.

The net result of the failure of SALT I to restrict modernization and replacement has been an unprecedented buildup of the Soviet strategic nuclear capability, with no corresponding American increase.

In fact, since 1975 the USSR has deployed the SS-17, 18, 19 and 20. The SS-18 having a throw-weight exceeding twice that of any US missile.

By 1980 the total Soviet throw-weight will be almost double that of the USA and the number of warheads multiplied by 4 or 5. But the USA will still have a lead in the total number of warheads.

In contrast the USA has deployed no new ICBM since 1972 and has only modernized existing Minuteman III's roughly doubling the present 170 kilo ton yield compared to the 2 megaton yield of the SS-18. The United States missiles are still more accurate but the Soviet Union is catching up.

Much the same story can be told about SLBM's in which the SSN8 has now been deployed in some 29 Delta class submarines, thus permitting them to hit the USA from the Barents Sea. Whereas the first USN equivalent, "USS Ohio", armed with the Trident I, will not be operational until at least 1980, and the 6,000 mile range Trident II is not expected to be available until the mid-1980's when only 10 "Ohios" will be deployed. However the MIRVed SSN-X-18 is now becoming operational in the Delta III submarines.

In 1972, the US had some 400 heavy bombers compared to 140 in the Soviet Air Force. The ratio is now nearer to 350 to 135, but the US bombers are mainly B52's, the B-1 having been cancelled. On the other hand the USSR has so far built some 100 Backfire medium bombers and is expected to have some 300 by 1985.

These figures are taken from various US and British sources and may not be 100 percent accurate but they do clearly show the trend since 1972, which has been wholly in favour of the Soviet Union.

The same overall trend can be found in conventional Forces, a trend, if continued will put the USSR in a commanding position to impose its will on most of the continents of the earth.

THE STRATEGIC BALANCE TODAY AND IN 1985

The ratification of the SALT II Agreement would limit the USA and the USSR to a total of 2,250 ICBM's, SLBM's and heavy bombers, of which 1,320 can be MIRVed, ICBM's and SLBM's and heavy bombers carrying ALCM's of intermediate range. Within the limits of 1,320 MIRVed launchers a sublimit of 1,200 is placed on MIRVed ICBM's and SLMB's and a further sublimit of 820 is placed on MIRVed ICBM's. It is estimated that these limits will have the following results by 1985:

(a) MIRVed ICBM's.—The Minuteman III production line is now closed down and the new MX delayed and cannot now be operational by 1985. The 550 Minuteman III's can be upgraded in accuracy but the aggregate useful payload or throw-weight of the US MIRVed ICBM force in 1985 will not exceed 1¼ million pounds and 1,650 RVs (1,650).

The USSR can deploy 300 plus SS-18's (308) and some 500 (512) SS-17's and 19's, giving an estimated aggregate throw-weight for the Soviet Union ICBM Force of 8 to 9 million pounds, and 6,000 (5,662) RV's.

It has thus been estimated that in a first strike the U.S.S.R. could eliminate from 70 to 90 percent of US silos whereas the USA would have the capability of destroying 65 percent of the Soviet ICBM silos.

(b) Un-MIRVed ICBMs—The US 450 Minuteman II and 54 Titan has an estimated 1 million pounds (1.5 million) throw-weight and 1,000 megatons (936) of yield. The Soviet may substitute 360 SIIs by a new ICBM as permitted under the Agreement which could produce an estimated throw-weight of 2½ million pounds and some 6,000 megatons yield.

(c) MIRVed SLBMs—The US are expected to have 21 Poseidon submarines, 10 Trident I backfitted submarines, and 7 (10) new Trident I submarines by 1985, giving a total of 38 (41) nuclear propelled MIRVed SLBM submarines with some 664 (650) MIRVed tubes with some 5,300 (5,700) RVs.

The Soviet Union could, under the Agreement, deploy some 400 MIRV missile launchers. It is expected that the new Soviet Typhoon submarine will carry 20 to 24 missiles with up to 14 RVs. The SSN18 is expected to have some 7 MIRVs. The US therefore, will continue to lead in SLBM MIRVed tubes and RVs.

(d) Un-MIRVed SLBMs—The US is expected to retain only some 80 SLBMs and the Soviet some 600.

(e) ALCM Bombers—The US plans a possible deployment of 120 such aircraft with cruise missiles of over 600 kilometres range.

If these figures are approximately correct it will be seen that the US inferiority in all categories of strategic power except accuracy, SLBMs and heavy bombers has been frozen for the duration of the Agreement. The argument, therefore, rests on whether the US strategic nuclear deterrent will remain credible during the duration of the Treaty. This question, together with that of verification, has been debated during the hearings and must remain an American decision but already the balance is tilting against the USA.

In addition the virtual deadlock of the MBFR negotiations for so long does not appear to indicate a Soviet desire for a balance but rather a drive for further superiority.

DOMESTIC POLITICAL CONTROVERSY

It has always been a matter for concern when the international strategic balance or, for that matter, national defence, becomes a domestic political issue.

To the outsider the US administration has fallen over backwards to commend this Agreement. There are many arguments in its favour but the briefing of foreign Members of Parliament by US Embassy staff, the knowledge that the Administration is in trouble over other National issues and badly needs successful ratification, makes an experienced politician wonder about the political as opposed to the military need for an Agreement.

This, I fear, is not unusual as opposing Party lines on Defence issues are current both in my own country and in Europe as a whole.

THE EURO-STRATEGIC AND THEATRE NUCLEAR WAR BALANCE

As currently constituted the SALT II Treaty affects only missiles and heavy bombers of intercontinental range. This has meant the exclusion of a number of systems whose characteristics make them difficult to define but which are of great relevance to Europe. There can be no question that the U.S. authorities have kept their Allies fully informed during all the SALT discussions. However, Europe is menaced by two major new weapons systems that are not included in SALT II—the Backfire Bomber and the SS-20. On the other hand, restrictions on the deployment of cruise missiles are included in the Treaty.

It has already been stated that the strategic balance has tilted against the U.S.A. As far as Europe is concerned the shift in thea-

tre nuclear capabilities in favour of the Warsaw Pact has been even more dramatic.

In January 1978 the USSR had about 700 I/MRBMs, 430 medium bombers and 20 plus SLBMs targeted on high priority European targets. By 1985 is has been estimated that there will be some 275 SS-20 missiles and 250 Backfire Bombers deployed against European targets, plus 700 I/MRBMs, (some targeted on China) 430 medium bombers and 20 SLBMs.

NATO Europe can produce 150 British and French IRBMs and SLBMs and some 200 nuclear capable aircraft, which is a deterrent but no real answer to the scale of the Warsaw Pact threat, even when backed by the USAFs F111s and other aircraft and the USNs SLBMs allocated to SACEUR.

Anti-Backfire defences can be improved with the advent of the British Air Defence Tornado and new types of U.S. aircraft based on Britain. But, the SS-20, which is mobile and has a range of some 3,000 miles can, therefore, be targeted on European ports and airfields from inside Russia, it can, therefore only be attacked by aircraft which would inevitably suffer appalling losses.

The counter to the SS-20 may be a new long-range theatre nuclear ballistic missile, an extended-range Pershing or a Cruise Missile, or a mix of all three. The new theatre ballistic missile cannot be operational by 1985. A stretched Pershing is unlikely to have a range of more than 1,000 miles, and aircraft equipped with intermediate range Cruise Missiles are counted as heavy bombers and included in the SALT numerical aggregates.

They are also limited to an average of 28 missiles, with not more than 20 carried in each existing B-52 Bomber. Even more important, ground and sea-launch Cruise Missiles are restricted to a range of 600 kilometres (360 miles) by the Protocol to the Agreement, which expires on the 31st of December, 1981.

If Cruise Missiles are to have a limited range for the next few years why are not certain specific restrictions on range applied to the Backfire and the SS-20?

However there is nothing in the Agreement to prevent new theatre ballistic missiles being developed by the Allies and the US will not be ready to deploy longer-range ground and sea-launched Cruise Missiles until after 1981.

Two factors of primary importance to Europe therefore emerge—

i. the Protocol MUST NOT BE extended beyond its expiry date whatever the Soviet Union may demand, and

ii. it must be made plain that Article XII the "non circumvention" clause will not only permit the transference of Cruise Missile technology from the USA to her Allies but will also permit the sale, for example of Tomahawk and Trident I, should this be desired.

Administration assurances have been given during these hearings, but it is hoped that the Senate will insist on these two clarification being written into the Treaty in such a way as there can later be no misunderstanding.

The Soviet aim may well be the de-coupling of the US strategic nuclear deterrent from the defence of Western Europe together with the creation of an overwhelming nuclear and conventional advantage against NATO Forces in Europe.

The problem of the theatre nuclear weapons is separate from the Euro-strategic balance, but is related to it. The overall balance in theatre nuclear capability between NATO and the Warsaw Pact is roughly equal to the number of warheads in their respective nuclear stockpiles, but in delivery systems the Warsaw Pact has a considerable advantage and the balance is tilting further in their favour.

It is to be hoped that should the Senate not complete its discussion on SALT II this year that this will not delay a NATO decision on TNW which is due to take place in December. Indeed, it might be an advantage that the theatre nuclear decision be taken before the SALT ratification so as to make it clear that such a decision is in fact within the terms of the Treaty.

It must be borne in mind that the balance of conventional Forces in Europe is continuing to shift against NATO and is now approximately 2.8:1 in armour, 2.2:1 in tactical aircraft, 2.7:1 in artillery, and 1.2:1 in men. Also that the Soviet Forces have been reorganised in recent years for offensive rather than defensive operations and are fully capable of repeating Hitler's Blitzkrieg.

EAST-WEST BALANCE

It is now obvious that the balance is tilting against the West both in the nuclear and in the conventional fields.

It must, however, be borne in mind that the Leaders of the USSR may hope to take over Asia, Africa and South America, followed by Europe, without running the risk of a nuclear or even a conventional war.

The key to the industrialised West lies in supplies of energy and raw materials. Should the USSR secure the dominating influence over the Gulf or over Southern Africa she will control directly, or indirectly, the West's major supplies of oil and key minerals (platinum, chrome, manganese, gold, vanadium, fluorspar, asbestos, uranium, titanium, industrial diamonds, etc.).

Her growing influence in the Third World and in the countries of the Middle East and Africa could enable her to cut off Western supplies at the source or on passage or, in the case of Southern Africa, to create so much chaos that minerals could not be exported. Industrial Europe, starved of raw materials or energy could then be faced with capitulation or resorting to nuclear war.

The writing is on the wall—in the 1930s the Rhineland, Austria, Czechoslovakia, Poland, the USSR. In the 1970s Afganistan, Iran, the Horn of Africa, Aden—and then who knows, Kuwait? Saudi Arabia? Turkey? In southern Africa, Angola, Mozambique, followed by Zimbabwe/Rhodesia, Namibia, Zaire, Zambia and finally South Africa. Thus, the USA could become isolated in a hostile world.

This is, of course, an extreme concept but the fact remains that countries friendly to the West are being rapidly reduced in numbers and the West takes no action. Western influence, quite recently supreme in the Pacific, the Indian Ocean and the South Atlantic, is disappearing and with it the freedom for which we fought two World Wars.

Surely detente means something quite different in the West than in the USSR. Does SALT also have different connotations? If so, there is little hope for SALT III or, from our concept, of detente.

PREPARED STATEMENT OF MR. KLAAS G. DE VRIES

Mr. Chairman, in the course of the Senate's hearings on the proposed SALT II Treaty, the question of European attitudes toward the Treaty has emerged as a pivotal issue in the debate. While Administration officials have forcefully characterised Allied support of ratification as unequivocal and broad-based, other witnesses have advanced a number of rationales which, if true, would significantly depreciate the value of official endorsements of SALT II by European governments. In brief, the Senate has been warned that it can draw little comfort from public expressions of European support; indeed that these declarations may even have been proffered under duress.

I appreciate that you felt it important to clarify this question of European assessments by inviting four Europeans representing different countries, different parties and different political perspectives to present you with their views first hand.

I would like to divide my remarks into two areas. First, I want to address head-on this crucial issue of the credibility of European support for SALT II. In the second part of my testimony, I will explain why I personally support approval of the Treaty.

Let me begin by observing that there can be no disputing the fact that Europe has overwhelmingly declared its clear support for the Treaty. To be sure a few isolated, and not entirely unpredictable, objections have been heard. But they have been drowned in the flood tide of public European support for the Treaty. The North Atlantic Council, individual national governments, prestigious centres of security and foreign policy research, and leading newspapers have all gone on record endorsing Treaty ratification.

Thus, it seems astonishing to have to respond to the suggestion that, at worst, we do not really mean what we say, or, at best, that what we *have* said should be discounted.

To suggest the European governments would knowingly and deliberately prevaricate on an issue of such signal importance as strategic arms limitation is tantamount to declaring that there is no basis for trust in relations between te proud nations of the Atlantic Alliance. SALT is not a partisan issue in Europe. Indeed, support for SALT may be one of the few issues in 1979 on which European leaders—Conservative, Social Democratic, Christian Democratic and others—find themselves in basic agreement.

The theory that there is a disparity between official and private European views usually relies on one or the other of two lines of argument:

One, that the Administration has "arm-twisted" European governments into expressing support in order to save the prestige of the Presidency; and

Two, that public sentiment in favour of detente and arms control runs so strongly in Europe that no public figure can prudently speak out in favour of vigilence and defence.

Lest these theories gain credence through unrefuted repetition, I feel that I must challenge each of them in turn. First, I cannot accept the suggestion that the Administration has pressured European governments into endorsing SALT II against their will. Of course Europe recognises the importance to Alliance cohesion of a strong American Presidency. But this should not suggest that Europe would support SALT II against its better judgment for the sake of helping a particular President's standing in public opinion polls. Europe is vitally interested in American leadership. It is not interested in helping to create the illusion of American leadership.

Second, the claim that pro-disarmament euphoria is so rampant on the European continent that on one can prudently speak out for military preparedness simply cannot be reconciled with the facts. The NATO Allies have agreed to a 3% increase in defence spending and committed themselves to the Long Term Defence Programme. The French Government has just announced a 15% increase in its defence budget. The United Kingdom Government has declared that it intends to undertake greater defence expenditures. NATO has held to a firm position in the MBFR talks and has just bought the expensive AWACS programme. NATO countries are re-equiping their forces with F-16s, Tornado aircraft, and Leopard tanks.

Why did NATO insist on preserving technology transfer and cruise missile deployment options under SALT II? Some SALT critics would have us believe it both ways: that Europe publicly supports the Treaty out of a lack of will to stand up to the Soviets, yet privately opposes the agreement because it allegedly denies them the hardware needed to stand up to the Soviets. You cannot have it both ways.

Let me turn now to the line of argument that approval of the terms of the Treaty

themselves is not a primary factor accounting for European support, in other words, that European disappointment with the terms of the Treaty yielded to a higher priority: European interest in preserving progress toward detente.

I wonder if anyone—European or American or Soviet—can actually declare himself totally satisfied with the terms of the Treaty? Even the Administration acknowledges that it is disappointed with the height of the ceilings and the degree of strategic force modernisation permitted both Parties under the accord. By definition this negotiation required some compromises to be made on both sides or else there would have been no agreement. Disappointment over certain negotiating outcomes cannot stand in isolation from other considerations and be allowed to constitute a basis for rejecting the Treaty.

The question is not whether Europe approves 100% with the provisions of the agreement. The question is whether these provisions on balance are acceptable and whether this Treaty, now laid on the table for rejection or acceptance, is better than no Treaty or a reopened negotiation. And in making that assessment obviously judgements about the provisions of SALT II must be weighed along with other considerations, including the value of SALT II as one step in the long-term process of SALT and within the overall framework of detente.

Of course European support of SALT II reflects a desire to promote a lessening of East-West tensions and a certain anxiety that rejection of the Treaty might occasion a new Cold War. No one denies this. But what is not to be accepted is the view that Europe's interest in detente is so pre-eminent that we are blinded from the recognition that arms, vigilance, and the will to defend ourselves are still required in this, the 30th year of the Alliance. Maintaining military security while simultaneously pursuing detente have long been the twin pillars of Alliance strategy. They have not suddenly become mutually exclusive in 1979.

This leads me to a second point. Europeans are intimately familiar with the terms of the Treaty. The degree of co-ordination and consultation has been extraordinary and unprecedented. SALT II is not something that has suddenly been thrust upon the Europeans for approval or disapproval. It is an agreement that was methodically worked out under three American administrations in concert with the European Allies. Europe has every opportunity to express reservations about provisions considered during the course of formulating negotiating positions, and in those cases where Europe did insist on measures to protect certain interests more stringently—for example, on technology transfer—the United States accommodated European recommendations. Ambassador Earle's testimony to your Committee underscores the unprecedented degree of consultation and co-ordination within the Alliance on SALT II. The much appreciated and publicly applauded effort of three successive Administrations to inform and consult its Allies has found its deserved reward in that all European Allies became intimately familiar with the Treaty and were able to support its final version.

Turning now from the subject of European attitudes generally, I would like to put forward some personal views on the merits of this Treaty. In explaining the basis for my strong support of SALT II, I want to touch on four main themes: (1) SALT II and the credibility of the U.S. strategic deterrent, (2) SALT II and European defence options, (3) European interests in SALT III, and (4) SALT as an element in a broader framework of East-West relations.

SALT II AND THE CREDIBILITY OF THE U.S. STRATEGIC DETERRENT

The question of whether SALT II entails negative implications for the credibility of the U.S. strategic deterrent has centered on the fact that the Soviet Union is allowed to maintain 308 heavy missiles (SS9s now being replaced by SS18s) while the United States is permitted none. It is argued that this permanent advantage in throw-weight when married to the inevitable improvements in accuracy will give the Soviet Union a convincing first strike capability, that is, Soviet leaders will have a high confidence possibility of taking out 90% of United States land-based missiles with only a small proportion of their own land-based systems. With only the bomber and submarine proportion of the United States deterrent force remaining, a United States President would allegedly be deterred from retaliatory action. The critics do not actually believe that such a scenario will take place but rather that the perception of superiority that this situation will create will be manipulated by Soviet leaders to obtain their politcial objectives. This superiority will, it is alleged, be used for nuclear blackmail. The critics argue that under this situation nuclear weapons retain considerable political utility.

It is my belief that this strategic superiority argument is based on a highly selective and inadequate interpretation of weapons criteria. The current asymmetry in United States and Soviet force levels is the result of differences in force structure and military planning. The United States has developed smaller, more accurate missiles, while the Soviet Union has, largely because of technological restraints, developed larger missiles with heavier throw-weights. It must be noted that throw-weight is only one of a number of criteria that can be used to measure strategic power. Accuracy is far more important in terms of destructive capability since very large warheads tend to be less efficient than smaller warheads. In terms of accuracy and the numbers of warheads, the United States has a decided lead over the Soviet Union.

It is therefore unreasonable and distortive to single out one element of the strategic picture in order to prove a picture of United States inferiority. Asymmetries in one area should be measured against advantages in others. In fact, the composition of the two strategic arsenals is very different. The Soviet Union has placed a very heavy emphasis on its land-based forces. It has relatively small bomber forces (none on permanent alert as with Strategic Air Command) and while it has a large number of submarines, only 15% of these are on station at any one time. The United States on the other hand has fewer than 25% of its warheads in Minuteman silos, and by the 1980s with the deployment of Trident and the cruise missile this proportion will be even lower. It has a formidable bomber force a proportion of which will shortly be equipped with air-launched cruise missiles and a substantial force of Poseidon/Polaris submarines, 60% of which are permanently on station. It is estimated, for example, that owing to higher alert rates and multiple warhead advantages, approximately 2,446 United States as against 140 Soviet SLBM warheads are at sea. As these characteristics indicate, a direct comparison of the effectiveness of either strategic force is to say the least complex. It is for this reason that the term essential equivalence" has come to describe the current balance.

With regard to the specific disparity in heavy missiles it is necessary to ask whether given the opportunity the United States would seek to construct an equivalent number of heavy missiles. The answer would be certainly negative because it has no need of them.

Finally, the question of Minuteman vulnerability: the suggestion that the Soviet Union will in the 1980s have the capacity to destroy United States land-based forces may be mathematically provable but such action would depend on so many uncertain variables as to be beyond rational comprehension. Such variables include human error, equipment failures, the effect of atmospheric turbulance caused by the first explosion on incoming warheads, and also the "fractricidal" effect on these warheads. In addition to these uncertainties, a Soviet leader would have to gamble that a United States President would not launch his ICBMs as soon as he knew Soviet missiles had been dispatched, and that he would not retaliate with his remaining force of submarines and bombers. Such risks may seem reasonable in the artificial vacuum of theoretical strategic planning and force exchange calculations but they have little to do with the choices that face political leaders in the real world. If the vulnerability argument is without military logic then the political advantage that is said to accrue from it is likewise without foundation.

It is therefore unfortunate that when based on so many questionable assumptions the concept of Minuteman vulnerability has been allowed to become an established truth, almost an article of faith on which critics of the SALT process base their arguments. The effect of their criticisms could be to weaken our self-confidence, create doubts in the minds of friends and neutrals, and suggest to Soviet leaders possibilities that do not actually exist. Thus, the final result of their arguments is to undermine deterrence. The eventual theoretical vulnerability of fixed land-based systems was inevitable once MIRVd warheads entered the strategic arsenals, and had nothing to do with the SALT process. In the words of Secretary of Defense Brown, "Minuteman vulnerability was not a problem created by SALT, nor is it a problem we can solve with a SALT agreement . . . we would have the same problem without such an agreement, only in that case we would have other problems as well". It is not a question of establishing that a number of fixed points can in theory be hit by a certain number of missiles, but of deciding whether in the realm of practical politics this paper certainty would translate into a tangible political advantage.

If the United States Administration is concerned that this is a weakness that should be fixed than it has the MX mobile missile under development. Currently, the Administration is studying the basing problem in order to establish a mode that will give the necessary mobility and yet be verifiable under a future arms control agreement. However, it should be noted that in discussing the vulnerability of land-based systems the Soviet Union has far more to fear than the United States. She places a far greater reliance on her land-based missiles than the United States and does not possess an equivalent Triad of forces.

SALT II AND EUROPEAN DEFENCE OPTIONS

It has been argued that while the Treaty places no limit on Soviet theatre systems such as the SS20 and Backfire bomber, thus allowing the Soviet Union a substantial advantage in the theatre field, it imposes limitations on the development of ground and sea launched cruise missiles which could be used to offset this advantage. Thus, some analysts have worried that, over time, many Europeans might conclude that the United States—in order to reach an agreement—has mortgaged systems that are most likely to serve Western, rather than American, interests.

While acknowledging that the restrictions on GLCMs and SLCMs are for the duration of the protocol and therefore officially temporary, nevertheless critics assert that under a SALT III climate these limitations will be extended. Some have suggested that it is hopelessly naive to believe the West will be able to turn back the clock on "temporary" arms limitations and plunge ahead with new and previously banned weapons as though they had never been prohibited.

The Allies' access to cruise missile technology is also linked to the provision in the Treaty which bars circumvention of the Treaty provisions through third countries. Critics believe that the wording of this provision is so vague that the Soviet Union will be able to use it to prevent the United States sharing certain crucial military technologies with its Allies.

The argument that SALT excludes Soviet medium range systems represents a curious approach since it was the firm position of the United States, with complete Alliance support and approval, to keep forward based systems and medium range theatre systems out of the negotiations. Thus having successfully resisted Soviet pressure to include these systems it is slightly distortive to complain that SALT II will fail to constrain them. Moreover, it should be noted that the Alliance has exactly the same freedom as the Soviets to augment its theatre systems if it sees the need.

On the question of the restrictions on cruise missiles contained in the Protocol, the Administration has made it clear that the availability of options for theatre nuclear forces is unaffected by the Protocol. Specifically, testing of ground and sea launched missiles can go forward to unlimited ranges. The prohibition against deployment of ground and sea launchers of cruise missiles with a range in excess of 600 km will expire well before such systems could in fact be deployed. Thus the decision on the utilization of cruise missiles within NATO will be decided through consultation within the Alliance, most likely at the Ministerial meetings in December. Administration officials stress that the Protocol was a compromise to settle a bargaining impasse and to leave time for more definitive negotiation while not imposing, in the meantime, any practical limits on the United States or NATO. They stress that the Soviets have indicated that they recognize that the Protocol will expire according to its terms.

Concerning the issue of non-circumvention, it is evident that the Soviet Union pressed hard for a very restrictive ban on transfers of technology and equipment covered in any way by the agreement. The United States however did not agree to such a clause. The non-circumvention clause is therefore very general and does no more than state an obligation which the United States would be under in any event. In testimony before this Committee, Administration officials have affirmed in the most explicit language that the non-circumvention clause will not affect existing patterns of collaboration and cooperation with America's allies, nor will it preclude cooperation in modernization or continued nuclear or conventional cooperation with the Allies.

I will not comment at length here on the relationship between strategic and theatre forces except to emphasize that while the Protocol has ensured that a number of options remain open to the Alliance, close consultation will be necessary to decide whether these options are actually needed, under what circumstances and how they will fit into future arms control negotiations. In particular, it will be necessary to consider whether a decision to deploy these new options in Europe and thus provide Europe with a more substantial regional capability could be interpreted as a serious step to loosening the United States strategic commitment.

EUROPEAN INTERESTS IN SALT III

It is already accepted that once SALT II is signed the United States and the Soviet Union will proceed with negotiations on further limitations on strategic arms. SALT II includes a statement of principles and guidelines concerning a SALT III negotiation. While the United States originally wanted the statement of principles to set fairly explicit and ambitious targets regarding further reductions and modernization restraints, it accepted the Soviet position of a fairly generalized statement. The Soviet Union is expected in SALT III to argue again that United States and Allied theatre nuclear weapons capable of reaching the Soviet Union must be taken into account in arriving at new ceilings.

It has always been difficult to restrict the negotiations to strictly bilateral issues since from the earliest days the Soviet Union raised the issue of the French and British nuclear forces and of American nuclear-capable aircraft stationed in Europe and capable of striking Soviet territory. Now, with the development of the strategic cruise missile, the controversy over the Backfire bomber and the emergence of the SS20, attention has been focused on a number of systems whose characteristics defy precise definition and which will complicate any further negotiations.

Since these "grey area" or theatre systems have particular significance for Europe, it is evident that European interests must in some way be represented. However, several complex issues remain to be settled: namely, what sort of negotiating forum would be set for what particular weapons and for which particular participants?

The most realistic formula of the various proposals that have been circulated would be a continuation of the bilateral dialogue between the United States and the Soviet Union with consideration of those theatre systems under United States or Soviet control. It is difficult to see any multilateral negotiation making much progress and several countries are opposed to dealing with theatre systems in isolation from strategic systems. Furthermore, the French have refused to participate in any negotiations on their nuclear forces and while the United Kingdom has not made its position clear its willingness to see restraints placed on its strategic force is doubtful. This would inevitably mean that the Soviet Union will ask to be given compensation for the French and British nuclear forces. It will also mean continuing the present system of Alliance consultation as a means of securing European involvement. However, it may be possible to secure more permanent involvement through a new institutional mechanism. Whatever the mechanism, it must be made clear that Alliance participation means all members or at least those who participate in the basing or ownership of nuclear weapons.

As long as a satisfactory consultation mechanism could be established a continuation of the bilateral approach would certainly be the most likely to achieve progress. This approach would have the advantage of maintaining the essential continuity of nuclear systems and counteracting the tendency to try to separate the theatre and strategic levels. It would also facilitate matching constraints as, for example, United States constraint on the ground launched cruise missile in return for Soviet restraint on the SS20.

SALT II AND EAST-WEST RELATIONS

Some critics have suggested that United States conduct in the SALT negotiations should have been linked to Soviet behaviour in other areas, in other words, a SALT agreement would have been conditional upon Soviet actions in areas such as developing countries, human rights, etc.

It is clear that SALT is one component of many that constitute the East-West relationship, and as an effort to establish understanding and a mutually acceptable framework in nuclear armaments it is clearly an important component. SALT therefore forms part of overall United States defense and foreign policy and just as it is influenced by developments in other areas so it will itself contribute to the general climate of East-West relations. Thus while SALT cannot be separated by developments in other areas it cannot be made responsible for them and cannot be used as a mechanism to influence them. It would have been wrong for the United States to have made concessions in SALT II in order to influence Soviet actions and it would have been wrong to have suspended SALT II in order to punish the Soviet Union. Above all, it must be stressed that SALT II is of substantial interest to both sides and must be judged on the basis of its own merits.

CONCLUSION

While re-emphasising my support for the Treaty, I wish to endorse the criticism voiced by several observers that not only are the levels too high but that the Treaty does too little in checking the momentum of armaments development. As has been pointed out by opponents and supporters of the Treaty alike, the Treaty does nothing to constrain the development of planned United States strategic systems, including the MX, Trident submarine and missile, and cruise missiles, as well as new generations of Soviet strategic systems. I join those who urge that the next round of negotiations seriously tackle the unnecessarily high levels and potentially destabilising qualitative developments.

Despite this criticism, I support the current Treaty because it is an essential element of the East-West relationship and because it establishes a framework of mutual understanding and confidence which will permit the eventual acceptance of lower levels of forces. The Treaty provides a number of important steps in this direction:

It reinforces the perception and reality of balance by establishing equal levels of intercontinental nuclear delivery systems;

For the first time it requires actual reductions of about 250 Soviet (and no United States) strategic delivery systems;

It will limit Soviet MIRVd ICBMs, the most threatening part of their force, to 820;

It will prevent increases in the maximum number of warheads deployed in ICBMs, thus limiting Soviet ability to exploit their throw-weight advantage;

It will channel Soviet activity into certain areas and thus simplify United States planning, and it will constrain the deployment of Soviet strategic nuclear forces well below the levels which could be deployed in the absence of an agreement.

I believe that the SALT II Treaty will make a positive contribution to the future security of the Alliance. Failure to ratify this agreement would represent a reversal in the efforts to secure a more stable relationship between East and West. The SALT process has provided an important framework for the communication and exchange of information necessary for the building of mutual confidence. Such confidence is a prerequisite if stability is to be assured.

One great American once said that your country would never negotiate out of fear and not fear to negotiate. Successive administrations have conducted the SALT negotiations in this spirit. I sincerely believe that the Treaty that is now before you serves the security interest of the nations and peoples of our Alliance. At the same time, this Treaty is a true expression of Western determination to contribute to restraining weapons

systems that, if used, could destroy civilisation itself.

STATEMENT BY HON. DR. PETER CORTERIER

SALT II AND GERMAN SECURITY INTERESTS

The decision on the ratification of the SALT II Treaty is the responsibility of the US Senate alone—a responsibility that weighs heavily. For with this Treaty an attempt has been made in the face of rapid arms technology developments to solve the complicated and controversial problem of stabilizing the strategic nuclear balance. Consequently, it is no exaggeration to state that the SALT II Treaty touches upon the problem of peace in our time. For the same reason this Treaty is not merely a domestic American affair. It is also—since we belong to the Atlantic Security community—a decisive bearing on European security. No country would be more seriously affected by its failure than the Federal Republic of Germany. The German approval of the Treaty now before the Senate results from our own basic interests: from the geo-political and strategic situation, from the vital interest in the stability and continuity of the detente policy, as well as from the need to preserve and safeguard a stable military balance between East and West. Those here in the United States who want to ignore the wide-scale support for the Treaty on the grounds that it is insincere or the result of pressure assess the European interests wrongly.

There are many reasons for our supporting the SALT II Treaty. One of the main reasons is that with the policy of detente we have achieved many improvements and we hope that the ratification of the SALT II Treaty will lead to this detente policy continued and consolidated; if the SALT II Treaty were to fail, we would have to fear for the results achieved so far. Especially from the German viewpoint the policy of detente has yielded many improvements in the humanitarian field. In Berlin, a city which for decades suffered particularly severely from the division of Germany, many people are now able to see each other again. Traffic to and from Berlin now flows virtually unimpeded. The position of Berlin has become more secure. Millions of Germans take advantage of the opportunity to visit their relatives in the GDR, and Germans from the GDR—albeit a limited number—can also travel to the West. In the context of the reunification of families, hundreds of thousands of Germans living in Eastern European countries are now able to join their families in the Federal Republic. We do not want to jeopardize these significant results of Ostpolitik and detente policy. Nor should we forget the many people in Eastern Europe for whom the detente policy has resulted in definite improvements in their situation and who hope that this policy will be continued.

Furthermore, from the European viewpoint the preservation of a stable military balance is equally the prerequisite for a continuation of the process of détente. Without the SALT II Treaty the prospects of a political and military stabilization in East-West relations are absolutely minimal. In such a case it must be feared that

The arms build-up will continue unchecked, if not forever certainly for a very long time;

The policy of détente and on-going arms control efforts will suffer setbacks;

The political leaderships and political forces in the Soviet Union and Eastern Europe advocating reconciliation and rapproachement with the West will be weakened;

The political consensus on defence and détente policy existing within the Alliance for over ten years now as a result of the Harmel Report will be weakened;

The trust placed in the United States as the leading power within the Alliance will be undermined.

The non-proliferation policy will be less credible and might fail ultimately.

On the other hand, a successful conclusion of SALT II will help to

Safeguard the West's capability to preserve a stable balance:

Provide a sound basis in terms of armaments and arms control policy for a strategy of military balance;

Create the prerequisites for progress at the MBFR talks and the CSCE follow-up conference in Madrid;

Make it possible to limit nuclear weapons in Europe, especially medium-range weapons systems;

Create the prerequisites for further arms control and disarmament negotiations, for example with regard to a complete ban on nuclear weapon tests or a ban on killer satellites, radiation weapons and chemical weapons;

Ensure the continuation and the successful conclusion of talks on the limitation of conventional arms exports.

If the Senate does not consider itself in a position to ratify the SALT II Treaty, this will have serious adverse effects on other arms control efforts between East and West. This applies, from the European viewpoint, particularly to the negotiations that are of vital importance to European security, such as MBFR and CSCE. Here, too, the American leadership role is indispensable to progress at the negotiations.

The SALT II Treaty is a matter of political common sense. Individual provisions may give some American and European observers cause for a critical assessment of the Treaty from the military and/or arms control aspects, but despite these possible objections the overall assessment is, from the German viewpoint, a positive one. You can draft an ideal treaty unilaterally but you cannot negotiate it. The SALT II Treaty should therefore not be measured in terms of theoretical possibilities but of political reality. In this respect it represents an important step along the path towards more stability and security in international relations and a milestone along the difficult path of co-operative arms control and limitation. It has not attained the objective of comprehensive reductions of strategic nuclear weapons, but has nevertheless led to quantitative and qualitative limitations of the nuclear weapons systems of the two superpowers, who have committed themselves in the Treaty on the Non-Proliferation of Nuclear Weapons to pursue negotiations on effective measures relating to cessation of the nuclear arms race and to nuclear disarmament under effective international control. The SALT II Treaty is of considerable importance for a successful non-proliferation policy. Although it does not compensate the conceivable vulnerability of the land-based American ICBMs, it obliges the contracting parties to undertake "in the near future negotiations further to limit and further to reduce strategic offensive arms". Finally, the Treaty does not contain any provisions on behaviour in other geographical regions of the world, but it ensures the continuity of the SALT process and thus of the dialogue on strategic arms.

The SALT II Treaty opens up substantial new prospects for the future, which should be preserved through ratification by the US Senate in the interest of stable international relations. The military parity of the Soviet Union is the result of many years of Soviet arms efforts and American restraint. This is a fact which cannot be eliminated even through arms control. In other words, the renunciation of military superiority has become an integral part of strategic policy. However, parity or rough equivalence in the strategic nuclear field does not imply neutralization. The composition and size of the nuclear systems permitted under the Treaty and the total number of existing or permitted warheads appear adequate at present to maintain the deterrent. The limitations agreed on in the SALT II Treaty do not give grounds for adopting alarmist attitudes. The agreed maximum numbers of MIRVs also guarantee that a programme such as the MX programme can be carried out without forgoing other MIRV launchers. Thus, the second strike capability of the United States, on which our security also depends, appears to be guaranteed in the future, too. The difficulties and problems of Western defence would be immeasurably greater without a SALT II agreement because the Soviet Union could then deploy by 1985 numerous strategic systems which would be a far greater threat to the West.

The SALT II Treaty makes for greater predictability and transparency of strategic developments and accordingly facilitates arms planning. But the possibilities of arms growth afforded by the Treaty should be used with moderation and with a view to the negotiating possibilities during the SALT III round. However, considering the rapid Soviet arms build-up of the last ten years it will not be easy during the SALT III negotiations to incorporate into a treaty the principles contained in the Joint Statement on subsequent negotiations. From the European viewpoint the main problems will be those resulting from the existing situation in the field of nuclear medium-range weapons. They will certainly not be the sole subject of the negotiations, but the disparities existing in this field, made especially acute by the deployment of the SS-20 and the Backfire, will make this subject particularly important at future SALT negotiations. The aim of the talks must be to ensure an overall strategic balance and to preserve the strategic unity within the Alliance. Schematic parity at all individual levels cannot, however, be our objective because that would not be conducive to the strategic unity of the Alliance, in fact it would be counterproductive.

European critics of the SALT II Treaty refer to two of its provisions in particular which they consider disadvantageous to Europe. The first of these is Article II, paragraph 1, of the Protocol to the Treaty:

"Each Party undertakes not to deploy cruise missiles capable of a range in excess of 600 kilometers on sea-based launchers or on land-based launchers."

The Protocol will remain in force until 31 December 1981, unless replaced earlier by an agreement on further measures limiting strategic offensive arms. The misgivings about this provision are due less to the provision itself than to its prejudicial effect. It is feared that the cruise missile limitation might be extended without a genuine Soviet concession in return. It is true that the concession of Article II, paragraph 1, is hardly offset by a parallel Soviet concession but it will depend primarily on our own political will whether or not this fear is realized. The limitation of this provision of the Protocol should not be treated as a self-fulfilling prophecy but be understood as being what it is: as a measure of a precisely defined duration and thus as a challenge to the Soviet Union to negotiate this matter with us. The following should therefore be emphasized:

1. As of 1982 the United States will be able to decide freely on the deployment of cruise missiles capable of a range in excess of 600 kilometers.

2. Other arms options are left open.

However, to preclude any possible doubts still existing on this matter it would be welcomed in Europe if the Senate followed the example of the US Government and made it clear that, when the Protocol expires, US options will again be open to both contributing to European defence with cruise missiles or

incorporating cruise missiles in arms control negotiations.

We Europeans have an interest in the nuclear weapons systems threatening Europe also being limited in the SALT III negotiations. The arms race must not be shifted to Europe. All the issues of middle range nuclear weapons which are subject of the SALT III negotiations are currently being discussed within the Alliance, both from the aspect of defence policy (in the High-Level Group) and from the aspect of arms control policy (in the Special Group). The intention is to elaborate within the Alliance a concept for SALT III aiming at a stable nuclear balance of power and at closing any gaps in our deterrent capability in Europe.

Where this can be achieved with arms control arrangements, the latter should take priority over the introduction of new weapons systems. This depends on whether or not the Soviet Union is prepared to effect corresponding limitations or reductions of its own medium-range nuclear weapons. This issue must be discussed with the Soviet Union.

On 4 July of this year Federal Chancellor Schmidt said before the German bundestag—

"That the Western Alliance must undertake all measures necessary to preserve its security. The extent to which we can restrict the scale of concrete measures aimed at adjusting to the continuous armament effort within the Warsaw Pact will depend on the degree of success in achieving an effective limitation of continental strategic systems in the East and West through arms control negotiations, for instance in SALT III."

This quote makes it very clear that we in Europe must also attempt to make progress in arms control negotiations. In other words, when the Atlantic Alliance makes a decision on the deployment of American medium-range weapons in Europe, it must remain clear that their decision on its implementation will also depend on progress or non-progress on the arms control negotiations with the Soviet Union. The Federal Republic of Germany is not a nuclear weapons State.

Therefore, it must not create the impression of striving to participate in deciding on the production of nuclear weapons. Such a decision must remain the responsibility of the United States. We continue to set store by not being forced into any special role within the Alliance. The forthcoming decisions must be taken by the Alliance as a whole. The coherence of the Alliance is also a decisive factor determining the success of arms control negotiations. On the basis of the Harmel Report a broad consensus on détente policy has developed within the Alliance over the last ten years.

This consensus must now be extended with intensified efforts to all fields of arms control policy and be brought to bear the SALT III negotiations. Our joint objective must be to curb the increase of Soviet systems in the field of nuclear medium-range missiles and reduce the disparities in the Euro-strategic field.

In this connection, a limitation of the existing modern Soviet systems—SS-20 and Backfire—could be useful as an initial concrete objective. However, we should not attempt to deploy an equal capability in Europe specifically against the SS-20 because in the final analysis we can counter the resultant threat only with the entire range of systems available for deterrence, including American strategic arms. Technological developments on the substrategic level have rendered the differentiation between strategic weapons of international and continental range useless and even politically dangerous. Security within the Alliance is indivisable.

It should not be measured on the issue whether a weapon system has a range of more than 5000 km or not. There is only one security within the Alliance and this covers the territory of all Alliance states. There should not be any zone of different security.

For the same reason, there can be no isolated TNF arms control in Europe. Rather, when adopting a joint strategy to curb the escalation of arms and when reaching arms control agreements, the link with the overall strategic balance of power must be preserved. The chairman of the SPD parliamentary group, Herr Herbert Wehner, formulated the objective of our efforts as follows:

"Of course we must not simply trivialize or accept any gap in the system of deterrence which might lead to a miscalculation by the other side. The deterrent must continue to make it impossible to wage war. That involves our reacting to challenges and taking the necessary decisions jointly. At the same time, we must ensure that all—I repeat: all—possible forms of arms control are used to prevent armament and counterarmament resulting in a new arms race. After all we are already in the midst of such an arms race, and we should try to do everything within our power to stop it from assuming immeasurable dimensions."

"In other words, we must render unto the Alliance all that it requires to remain capable of defence, which is our defence too; that is perhaps the soundest basis for peace and for our objective of consolidating peace through détente. For us, for our policies, and for the existence of our people there can be nothing more important than to undertake all efforts to preserve and safeguard peace, which again means that together with our Allies we should take advantage of every opportunity for further agreements on détente."

We must therefore undertake a two-fold interactive effort, that of harmonizing our defence efforts with the requirements of arms control.

The second provision of the SALT Treaty which has been criticized by some people in Europe is Article XII that reads as follows:

"In order to ensure the viability and effectiveness of this Treaty, each Party undertakes not to circumvent the provisions of this Treaty, through any other state or states, or in any other manner."

In this connection some European commentators quote Soviet remarks to prove that the so-called non-circumvention clause jeopardizes both the transfer of cruise missile technology and American assistance in the modernization of the French and British nuclear armed forces. It may be true that the Soviet Union is attempting to interpret the non-circumvention clause in a manner unfavourable to the West, but it would be more than foolish if here in the West of all places we gave more credit to the "Pravda" than to the U.S. Secretary of State and thus promoted the Soviet interpretation. The Secretary of State delivered a detailed statement on the interpretation of the non-circumvention clause before the Senate on 10 July of this year. From the European viewpoint this statement is entirely satisfactory. We support the efforts of the Senate itself to clarify the interpretation of the non-circumvention clause. It should be noted that, according to the principles of international law, a State is obligated not to circumvent the international agreements it has concluded. Furthermore, a bilateral treaty cannot impose obligations on third States, unless such state expressly accepts such obligations. Therefore, according to the principles of international law, the non-circumvention clause does not permit any obligations or interpretations exceeding the scope of the Treaty itself. As a result, the existing forms and structures of participation and co-operation are not prejudiced by the non-circumvention clause. In other words, the modernization of the nuclear weapons systems existing in Europe and the continuous co-operation in the nuclear and conventional fields within the Alliance are not affected. Nor is co-operation in research, development and production jeopardized as regards cruise missiles. Therefore, the non-circumvention clause cannot and should not be interpreted as a non-transfer clause.

The SALT III negotiations on nuclear medium-range weapons represent a very complex problem. They will doubtless require closer consultations than has been the case until now with SALT II. In the case of SALT the United States and the Soviet Union, and comprehensively, but for SALT III two parallel efforts are nevertheless necessary in order to:

(a) make possible further reductions of the strategic intercontinental capability of the United States and the Soviet Union, and

(b) reduce disparities in the field of continental nuclear weapons in Europe.

It is to be welcomed that in the future there will be no more unilateral U.S. arms limitations in the TNF field, as there are in the present Protocol. The statement which was delivered on behalf of the U.S. Government at the session of the NATO Council on 29 June in connection with the statement of intent of the SALT II Treaty and which Secretary of State Vance quoted at the hearing of the Senate Committee on Foreign Affairs on 9 July, represents a step in this direction and guarantees strict reciprocity in the future limitation of non-central systems.

On this point, too, it would be desirable from the European viewpoint if in its ratifying resolution the Senate reaffirmed the position of the U.S. Government. SALT II would then represent a suitable basis for reducing at the SALT III negotiations also the Soviet superiority in the medium-range field which is a threat to the European members of NATO in particular.

The Alliance will also have to adapt organizationally and technically to the political and military requirements arising in this context. The experience gained so far with the High-Level Group and the Special Group is most positive. The importance of the political, military and strategic issues arising in connection with SALT III justifies new organizational and technical efforts. SALT III negotiations will affect matters relating to European security to a far greater extent than SALT II did. They will continue to be basically bilateral negotiations between the United States and the Soviet Union, but the consultations will naturally have to be much more intensive than has been necessary until now. The consultations will have to include the elaboration of negotiating positions. We need suitable arrangements for the Allies to be able to have a say in the negotiations, which is not the same as participating in them. A new institution along the lines of the Special Group might be a solution to this problem.

STATEMENT BY STANLEY HOFFMANN

I would like to address myself to two different issues. The first is the SALT II agreement itself (by which I mean the treaty, protocol, and joint statement). How good a treaty is it, from the (sometimes conflicting) viewpoints of American security and of arms control? This should be our primary concern. But the agreement does not exist in a vacuum, and many members of the Senate, along with many witnesses, have made it clear that their assessment of the agreement depends on their view of the military and political environment of SALT: What are Russia's and America's positions in the world at present, and what are the trends for the 1980's? I shall examine this environment in the second part of my testimony.

I

The SALT agreement, negotiated by three American administrations, has some flaws, and many advantages.

A. I find three flaws, none of which is fatal.

1. From the viewpoint of arms control, it has often been pointed out that the treaty,

while imposing a number of numerical ceilings and, for the first time, qualitative restrictions on the arms race, actually allows for a vast increase in the number of warheads, for the development of new launchers (new ICBM, air-launched cruise missiles), and for the modernization of existing forces. Once more, it has become clear that arms control and arms reduction are not the same thing. One of the most frequent arguments of those who, like Secretary Brown in his remarkable and forceful testimony, defend the agreement against the charge that it is dangerous for U.S. security, is that SALT II allows the U.S. to pursue all of its defense plans for the 1980's—an argument which has cost the treaty some support on the side of those for whom arms limitations should be the first priority, once the capabilities for mutual assured destruction exist in both superpowers.

It is true that the treaty is a modest step on the road to arms control—more modest than the Carter Administration would have liked. But it is also true, first, that the restrictions imposed by SALT II are more comprehensive than those of SALT I, and, while allowing the nuclear arms race to continue, will constrain and regulate it more than did SALT I. (Between SALT I and II, there was in fact a formidable acceleration of the arms race on both sides, partly because of the deployment of new weapons systems, partly because of the failure to limit or ban MIRV; a failure which blots the record of the American negotiations in particular—we were ahead then—and which is largely responsible for the Minuteman vulnerability problem.) Secondly, the carefully balanced limits imposed by SALT II should make future reductions possible, and can be seen as a prerequisite. Thirdly, the alternative to this agreement is most likely to be, not a better one, with deep cuts, but tension and no agreement for a long time.

2. From the viewpoint of U.S. security, opponents of the agreement have pointed out that it allows the Soviets to keep their heavy missiles (for which we have and plan no equivalent) and that it leaves our land-based missile force vulnerable to a Soviet first strike in the early or middle 1980's. But this vulnerability (whose importance will be discussed below) was not created by SALT II, and the agreement leaves us free to take steps to try to reduce it, by making present and future U.S. land-based missiles mobile.

Moreover, with or without the MX, Soviet land-based missiles (a component of the Soviet nuclear force much larger than U.S. land-based missiles in our arsenal) will become vulnerable also, given the increasing accuracy and power of penetration of our warheads. And while the heavy missiles give the USSR a throwweight advantage, the number of warheads capable of hitting missiles is a far more significant measure. Precisely, the treaty puts limits on the numbers of Soviet warheads, and, in the long run, places the heavy Soviet missiles in jeopardy, since it bans mobile heavy missiles. It has been pointed out that the threat to our ICBM force would exist even if the SS-18 did not. Soviet willingness to dismantle part of their SS-18 arsenal (as requested by the Carter Administration in March, 1977) would have undoubtedly made this threat less ominous. But if this agreement is not a mutual disarmament treaty, it is hard to imagine either side letting it be a unilateral (even partial) disarmament treaty. The Soviets had good reasons to see our March, 1977 offer in this light: we were asking them to give up part of what they had, with no comparable cuts by us, only promises of future restraint.

3. From both the viewpoints of security and arms control, the provision of the Protocol which temporarily bans ground and sea-launched cruise missiles of a range superior to 600 km., but imposes no restriction on the SS-20 and no other restriction on the Backfire bomber than Mr. Brezhnev's promise not to produce more than 30 a year leaves much to be desired. Soviet weapons systems aimed at our allies in Western Europe have not been curbed, even though they have serious strategic implications (they deprive us of the advantage we had in theater nuclear weapons as long as the Soviets disposed only of long-range strategic weapons against West European targets; we have only a small number of planes based in Europe, capable of hitting objectives in the USSR). We have, however, accepted to place restrictions on systems that could give us a matching ability.

It is, of course, true that the duration of the Protocol is short, and there is merit in the suggestion made by Henry Kissinger, of an amendment that would subordinate post-1981 limitations on U.S. theater weapons to Moscow's acceptance of similar limitations on "Soviet weapons performing comparable missions." We must remember, however, that the Soviets may look at the matter quite differently. It was our allies who insisted on keeping American Forward Based Systems (and consequently Soviet systems aimed at Europe but not at the U.S.) out of SALT. And the American concession on ground and sea launched cruise missiles—our only planned weapons systems that we have accepted to curtail, if only temporarily—is likely to be seen by the Soviets as having already been paid for, i.e. by Soviet acceptance of various bans (such as that of the SS-16) and limitations in the agreement. Their willingness to pay twice may not be very great.

This, however, is no reason to repudiate the Protocol as it now stands: we could not deploy such cruise missiles before 1981 anyhow, nor is it at all certain that they are the answer to the problem of the "Euro-strategic" balance. It is, indeed, clear that at least ground launched cruise missiles are not. And the protocol allows the U.S. and its allies full freedom to deploy a new middle range mobile land based missile capable of reaching Soviet targets from positions in Western Europe.

Thus, this third flaw can be reduced to small proportions: a question mark about the ease with which our SALT III negotiators will be able either to negotiate Soviet restrictions on their theater weapons in exchange for prolonging the ban on sea-based cruise missiles, or else to get the Soviets to accept an end to the ban—and a hope that the American willingness to give up, even temporarily, one type of weapon of interest to our allies, in exchange for Soviet restrictions on weapons capable of hitting the U.S. but none on weapons capable of hitting them (a move of greater symbolic than military meaning) will not be repeated. I have not mentioned the non-circumvention provision of the treaty, for it is not likely to turn out to be troublesome in our relations with our allies.

B. The advantages of SALT far exceed the disadvantages.

1. From the viewpoint of security, it is important to stress, as Secretaries Vance and Brown have done, that the Soviets have accepted a number of major restrictions that blunt their throwweight advantage, slow down the threat to Minuteman, make a mobile land-based missile system more survivable, and attainment of overall Soviet strategic superiority less possible. Secretary Brown and General Seignious have provided this Committee with figures and examples. It is true that quantitative limits on launchers are not the most significant measure. But SALT II goes much beyond this, by limiting the number of warheads that can be placed on each type of launcher, and by limiting quite strictly the number and type of new ICBM systems, or the conversion of existing launchers. It is clear that without SALT, the problems which the Soviet buildup and the gallop of technology have created for us would not only persist but worsen, since the Soviets could have many more launchers, and particular MIRVed launchers, many thousand more warheads on these, more heavy missiles, more new types of ICBM, more Backfire bombers, and more methods of concealment. Those who worry about verification would have to prove how an uncontained arms race would improve our ability to detect what our adversary does, and to prove that under the agreement a Soviet violation could remain undetected long enough to upset the balance of forces. Those who argue that the Soviets aim at strategic superiority, and at its political exploitation, still have to explain why the USSR has accepted the handicaps created by the agreement; and if the tentative answer is that, in exchange for some limits, the Soviets obtain an end to the American lead in technology, there remains a need to explain why, in exchange for these limits, the Soviets did not obtain a ban on air-borne cruise missiles, on the Trident submarine, or on the MX, or on more accurate warheads.

2. From the viewpoint of arms control, despite the permissiveness of the agreement, it will constrain the arms race, as indicated above, and above all—thanks in part to the articles on verification—provide both sides with a modicum of predictability. This, to be sure, helps defense planners, but it also helps arms control, especially in providing both a comprehensive baseline for reductions and the foundations for new efforts in areas other than those covered by SALT: a comprehensive test ban, a non-proliferation strategy, efforts at limiting conventional or theater nuclear arms races. Each of these efforts has to overcome formidable obstacles of its own. Each one would be undermined or set back by a failure to go through with SALT II.

3. From the viewpoints of security and arms control, SALT II is important because it provides the main—almost the exclusive—cooperative element in Soviet-American relations at present. There are two main reasons why this link has to be preserved. First, our common interest in avoiding nuclear war does in fact create a common bond. I will discuss its limits later; but both sides have an interest in managing their unavoidable competition in such a way as (i) to leave them with a considerable margin of maneuver and error before having to reach fateful decisions about military confrontation or threats, (ii) to make it easier for them to protect their common concern with survival and with avoiding the kind of spread of nuclear weapons that might be uncontrollable by the superpowers. These two goals can obviously be met more easily if arms control agreements provide an underpinning of predictability, a reassurance against worst-case hypotheses, and a basis for joint anti-proliferation policies. It is absurd to invoke lack of trust and fundamental differences as arguments against a balanced SALT agreement. In the nuclear age especially, it is between adversaries that such an agreement is indispensable: if trust and a common code of behavior existed, the elaborate network of formal deals could be replaced by informal understandings and parallel unilateral moves.

Secondly, our allies—Western Europe but also Japan—are keen on preserving whatever has been accomplished through détente. Since they have no, or practically no, arms control agreements with the Soviets, they have built a network of cultural and economic relations, and political consultations. We have no comparable network. For our allies, the preservation and pursuit of SALT are evidence of continuing convergence between their course and ours. They want both

security and détente; both major parties in West Germany, for instance, emphasize both the need for NATO to deal with the issues of theater nuclear imbalance, and the need to continue reaping whatever benefits have been obtained through détente—they range all the way from humane contacts between Germans from East and West, to business involvements in Eastern Europe, to the kind of protection against any further erosion of America's strategic nuclear sword (or shield) which SALT II entails. Our allies are worried, not only when they suspect us of neglecting the European balance of forces for the global strategic one, but also when they hear us arguing about security vs. détente. This fear is not evidence of their "finlandization"—unless one applies this silly term (insulting to the Finns) to every concern for improved and mutually beneficial relations between East and West. For the U.S. to reject the SALT agreement, after 7 years of bargaining, would weaken our allies' confidence in America's ability to follow a steady and responsible course. This faith has already been eroded by a series of disagreements over economic and non-proliferation policies. Those who worry about the decline of American power should remember that some of the worst wounds are self-inflicted.

II

Opposition to SALT II has concentrated less on the agreement than on the international strategic and political environment. It has been said that our strategic situation has seriously deteriorated: both the intercontinental and the European theater nuclear balances have been shifting to the advantage of the Soviets, their capacity to intervene far from their borders has increased while ours has declined, and they have launched an "unprecedented geopolitical offensive." SALT II, insofar as it ratifies "a dangerous shift," is therefore viewed by such critics either as a symbol of our decline, or, at best, as a harmless snapshot of an uncomfortable moment: let us not tear it up, but let us do all we can to reverse the trend. I will try to address myself briefly to the strategic and to the political aspects of the problem.

A. Two strategic issues are worth mentioning: Soviet strategic conceptions, and the growing vulnerability of our land-based missiles. It is these two issues which are said to put us in grave danger, exposing us to blackmail and to the risks of escalation control by a foe determined to use its growing military capabilities in order to reach its political goals.

1. It has been said that the U.S. has put all its eggs in the basket of deterrence, more specifically the doctrine of mutual assured destruction (M.A.D.), whereas the Soviets are following a war-winning strategy. This strikes me as a distortion of reality. First, it is true that we have, in the 60's, proclaimed the virtues of M.A.D. There were good reasons for this: if the main thing was the possesion of a "survivable" second strike force capable of devastating the enemy's population and economic centers so as to deprive him of any reason for a surprise attack, if wisdom also suggested leaving one's own country exposed so as to leave oneself with no hope of getting away with such an attack, the quest for security and for arms control would merge, and stability would be achieved. However, the more the Soviets succeeded in reducing our erstwhile huge superiority, the less credible a strategy of massive retaliation for all occasions became; and the more warheads we had, the more opportunities appeared for selective and accurate targeting. As a result, the idea of a limited counterforce strategy—not a first-strike force aimed at disarming our enemy, but the targeting of other military objectives—reappeared in the Nixon Administration and has been confirmed by Secretary Brown. It may not be a war-winning strategy (nobody has yet explained how nuclear war can be won), it certainly is a war-fighting strategy.

Secondly, Soviet strategy is not a simple war-winning strategy that treats nuclear weapons like ordinary ones. Soviet leaders have repeatedly acknowledged the folly of nuclear war or nuclear superiority. On the other hand, Soviet conceptions differ from ours. In Moscow, deterrence is seen, not as the opposite of war, nor as sharply distinct from defense, as we tend to do, but as part of the science (or art) of war, and inseparable from defense; not, I think, because the Soviets' objective is victory in the classical sense, but because they assume that war is still possible, and must, if it comes, aim as before above all at the destruction of the enemy's forces.

To them, therefore, deterrence means being capable of deterring us from striking first; and this is best done, by having the ability not only to bust cities, but also to destroy a sizable fraction of our nuclear forces—preemptively if necessary (not, as Professor Pipes rightly points out, out of the blue, but at the height of a crisis). And since war may come, the Soviets believe they have an interest in limiting damage to themselves: both the development of heavy missiles capable of destroying part of the American striking force, and the civil defense efforts, correspond to this concern.

Clearly, such a conception is not an endorsement of M.A.D. (Soviet acceptance of the ban on ABM, which was sometimes interpreted as one, was probably due to the fact that our technological superiority might have made it easier for us to protect our forces, thus thwarting the Soviets' ambition to be able to destroy part of them.) Nor is it an assent to our notion of stability: given their conception, it made sense for them to keep expanding their ICBM force even after they had caught up with ours. The reasons for their adoption of this design are multiple. They do have a profound sense of technological inferiority, they see us as setting the direction of the arms race and therefore define their mission as being able to intimidate the intimidator. Therefore, insofar as they have a notion of stability, it is not ours (i.e. neither side should be able to threaten the other's retaliatory force), it is the idea of stopping the development of new weapons systems once they have caught up with us. Russia's traditional emphasis on defense, and the major role of the military in strategic thinking and decision-making also account for this.

Now, the question raised by the difference in conceptions is: does it matter? It has not prevented pragmatic, incremental bargaining on arms control, with each side succeeding in blunting what it considered the most threatening new developments of the rival. Indeed, the difference makes arms control more rather than less necessary (if both sides embraced M.A.D., one wouldn't need such elaborate "structures of peace"), while also making it more difficult. The problem with the difference is that it allows for wide divergences in the assessment of Soviet strategic purposes: does the design aim at winning a nuclear war, or only at deterring us from resorting to nuclear weapons and at limiting damage to Soviet society if such deterrence fails? A "war-fighting" strategy can aim either at both, or at either one of these goals. My own assessment is that it aims at the latter: the Soviets are fully aware of the enormity of our capabilities (hence their determination to be able to reduce them!), and the limitations they have accepted in SALT II are far more compatible with the second interpretation than with the first.

However, even the second presents serious problems for us. For there is still another alternative. Is the Soviet conception of deterrence essentially defensive (i.e., "intimidate the intimidator so he can't pressure you"), or is it primarily offensive, aimed at winning without resort to nuclear weapons ("intimidate him so as to be able to pressure him and to expand")? The Soviet build-up of the SS20 and Backfire bombers allows one to suspect that the latter may well be the goal (to be sure, they are first-strike weapons that could be used against military objectives, including American FBS, in Western Europe, but despite their precision, they would create such vast civilian casualties that a war that began with such an attack could not remain "limited" easily: it could trigger the U.S. strategic forces. The new Soviet weapons seem much more apt at deterring our inferior theater nuclear weapons from being used to stop a Soviet conventional thrust, while the Soviet strategic force would deter our strategic force. As long as we had superiority in theater forces, it would have been risky for the Soviets to begin a conventional strike and to believe that no nuclear weapons would be used). Indeed, the Soviet goal may be to pressure and expand, not through the use of conventional weapons, but through blackmail, by exploiting politically Soviet advantages in regional balances and in the composition of nuclear forces.

2. This is where the issue of Minutemen vulnerability comes in. For many months now, we have been almost obsessed by a nightmarish scenario: at the height of a political crisis, we would let ourselves be intimidated by the Soviet ability to destroy our ICBM force, leaving us with no alternative to capitulation other than mutual destruction. It is in order to escape from this dilemma that we are planning a mobile MX—which won't be ready until after our Minutemen have become vulnerable. This scenario strikes me as perverse, and as an extraordinary instance of self-intimidation and self-scare. First, in purely military terms, it is hard to believe that the Soviets could ever be sure that an attack on all our land-based forces—which would cause considerable civilian casualties would not trigger our remaining retaliatory force (ca. 75% of our arsenal!) into devastating the USSR. For the Soviets, it would be a cosmic roll of dice, expecting perfect success on their side and cool, rational control on ours. As for selective Soviet strikes against our land-based missiles, they would leave us with enough ICBM to retaliate against their land-based forces and the scenario of a nuclear war of attrition is highly dubious. The gradual destruction of the enemy's first-strike forces, and even of his military installations, is not sufficient to give one "victory," as long as his second strike force is intact: one would win only if the "loser" spared the "winner's" own cities. The ultimate threat, in the nuclear age, remains the menace of city destruction, and counterforce nuclear war can "succeed" only if it deters the loser from carrying out the supreme threat. This is independent of the momentary military balance, since the ability to hit the other side's cities instead of (or in addition to) his forces exists whether one is superior or inferior in first-strike forces.

Secondly, again in military terms, after a Soviet first strike aimed at our whole ICBM force, if we chose not to retaliate against their cities, we would have another alternative to capitulation: given our advantages in bombers and ALCM, we would have huge residual means of hitting military targets, including the remaining Soviet land-based missiles (assuming they wait for our counterblows; but if they don't wait, and aim at ports, factories, airfields, the civilian casualties might be enough to provoke radical

escalation); and we would still have enough warheads left to be able to hit Soviet cities later. In other words, there is no decisive Soviet advantage in striking first.

Thirdly, as I have pointed out before, the vulnerability of land-based forces is not an American problem only. Indeed, it is not clear that any of the mobile basing systems discussed until now (other than those which would, in effect, turn land into sea-based missiles) would guarantee invulnerability, given the vast numbers of warheads available to each side. And yet, precisely because there is no decisive Soviet advantage to striking first, and even with the planned MX, we could probably not destroy the whole Soviet ICBM arsenal in a first strike, nor be sure to escape Soviet massive retaliation if we did; the balance of terror is much less delicate than Albert Wohlstetter had suggested.

Fourth, it is impossible to prove that the outcome of political conflicts has been determined by the exact ratio of strategic military forces. Both sides—not just the USSR—refrained from the use of force during the Berlin crises of 1948 and 1968–71, despite our nuclear superiority; and if we prevailed, it was because we had shown resolve and demonstrated the importance of the stake to us. In the Cuban missile crisis, the local advantage we had, and the same demonstration of resolve, plus (again) our ability to put on the Soviets the burden of having to risk initiating the use of force, gave us our victory, rather than the imbalance of strategic forces. It is the relative importance of the stake to each side, that is decisive. To be sure, we may try to fortify our resolve, and to make that importance more manifest, by having "essential equivalence" in nuclear forces, as defined by Secretary Brown. But nuclear equivalence or superiority did not help us in Vietnam, and there are other ways to bolster one's resolve and to demonstrate one's commitment.

3. I come to the conclusion that the seriousness of our strategic situation vis-a-vis the USSR has been much exaggerated. What would deter us, in a crisis, from attacking Soviet cities, is not the new phenomenon of Soviet heavy missiles and throwweight superiority, it is the old fear of retaliation against our cities—it is mutual vulnerability. On the other hand, scenarios of protracted counterforce nuclear war sparing cities are inherently dangerous: the more accurate each side's missiles become, the greater the enemy's incentive to preempt. To develop one's counterforce capability may well, however, be ultimately irrelevant, except as a waste of money: because of the uncertainty of fighting such an unprecedented war, of the problems of command and control, of the fact that city-busting is always in reserve, the enemy may never be sure that we actually mean to fight a limited nuclear war, and he may therefore be quite unwilling to test, try and see.

If "essential equivalence" means that we must be perceived by others, and perceive ourselves, as able to do whatever the Soviets are technically able to do—i.e. destroy parity of the enemy force—then a limited deployment of the MX is justified (even though we could probably achieve the same result with our existing forces). If however one concludes, as I do, that there is nothing to be gained by having a first-strike ability against land-based missiles, it becomes much more difficult to justify the MX (as opposed to merely giving a mobile basing system to Minuteman). Ultimately, the choice for both superpowers will be between expensive mobile systems that may not guarantee invulnerability anyhow, and could seriously complicate the verification of arms control, and gradually phasing out ICBM altogether. Since the Soviet arsenal consists so largely of ICBM, the coming predicament will hit them much more than us.

In the meantime, our main military effort ought to be aimed at shoring up regional balances. None of the scenarios that entail the use of strategic nuclear weapons really makes sense—neither massive retaliation, nor limited counterforce. The function of these weapons is likely to remain deterrence from their use: even if both sides don't endorse it as their common strategy, mutual assured destricution is sufficiently possible to perpetuate, as Churchill saw it, safety as the sturdy child of terror, and survival as the twin brother of annihilation. This means that the real danger lies in the problems of regional instability, in a world strategically fragmented under a stable superpower nuclear umbrella. In the specific case of Western Europe, what is needed is both modernization of conventional forces, and an effort at restoring the theater nuclear balance in such a way (a) as to deprive the Soviets of any reason to believe that their advantage in this respect could allow them to exploit their conventional superiority and to keep a conventional war from escalating to the nuclear level, (b) as to provide an incentive for mutual limitations and reductions in theater nuclear forces.

However, regional balances depend decisively on underlying political and economic factors. We must end with some remarks about the "geopolitical" situation.

B. Two issues must be addressed separately: that of Soviet behavior, that of American power.

1. It has been asserted that the Soviets have launched a "geopolitical offensive," precisely because military might is the only dimension in which they are a superpower; it has been stated that the combination of internal tensions (due to economic inefficiency, nationalities' claims and succession troubles) and strategic advantages in the early 80's might lead them to take greater risks and act more aggressively than in the past.

I believe that this view imposes far more coherence and design on Soviet policy than is warranted by reality. I agree with Robert Legvold, certainly one of our most balanced and knowledgable analysts of Soviet behavior, that military power has never been quite the central and blunt instrument of Soviet foreign policy which so many tell us it is.

Surely, without such power the USSR would neither have won the Second World War (after the disasters of 1941–early 1942), nor have obtained territorial gains and superpower status after the war. Nor would the Soviet empire in Eastern Europe survive without the Red Army. However, rather than as a deliberate, planned and masterly march toward world domination, Soviet policy is easier to interpret as (a) a relentless attempt at achieving equality with the U.S., i.e. at breaking the American monopoly of control of the high seas or of means to intervene all over the world, and at imposing Soviet participation in the settlement of all major disputes, whether in the Middle East or in Southern Africa, (b) the skillful exploitation of opportunities, many of which arise either without having been created by the USSR, or through the independent action of a Soviet client or ally. The USSR has moved, but with considerable caution. Its presence in the Arab-Israeli conflict has led to its expulsion by Egypt, and to increasing ambivalence on the part of Syria and Iraq. The litany of Angola, the Horn of Africa, South Yemen, Afghanistan, Vietnam, throws together disparate events, tied only by two threads: low risks and opportunities provided by previous Western mistakes or defeats or (in the case of Afghanistan) indifference.

To be sure, Soviet successes such as these are profoundly irritating to Americans. But the idea of linking explicitly arms control agreements to Soviet "good" behavior does not deserve being revived. It suggests that such agreements must somehow be in the Soviets' interest more than in ours, which is false. It also suggests that they are so much in the Soviets' interest that we could use them as a level and shortcut to obtain Soviet acquiescence to our idea of international stability and moderation—a very static idea which looks at every change of regime in "our" parts of the world with suspicion. Not only is it hard to believe that a power that has never given up the effort to tilt the "correlation of forces" in the world in its direction, would do so in exchange for mutually beneficial arms restraints. But we must reflect that (a) we ourselves would not like to have to give up the pursuit of unilateral advantages (banned by the fatuous language of the 1972 Soviet-American agreement): for instance in the Middle East peace process, or in relations with China, (b) we would object violently to any Soviet attempt to subordinate strategic arms control, or Soviet cooperation in non-proliferation efforts, to our behaving the way they would like us to behave in every part of the world. Henry Kissinger, who had come to office with firm ideas about linkage, later became the most convincing exponent of the view that our mutual interest in arms control precluded any effort to link SALT to other matters. There is, in any case, an implicit linkage: if the Soviets rock the boat too vigorously, they will find it impossible to get the American Senate and public opinion to endorse arms agreements that seem incompatible with such behavior.

If it is military might only that bolsters the Soviet claim to world power, then the appropriate strategy for us is (a) to constrain that might through SALT and other arms control bargains, (b) to match it, and help others match or deter it in those areas where it is already deployed, (c) to see to it that third party conflicts do not provide the USSR with opportunities to protect and inject its power in a manner detrimental to our interests. Our competition with the USSR will continue. But competition can take many forms: From outright confrontation, to cooperative contests. It is, in the long run, in our interest to move more toward the latter end of the spectrum—both because there are indeed many vital issues that cannot be handled without some participation of the USSR, and because only if there is some density of cooperative relations in which the Soviets have a stake, may considerations of linkage be effective (for instance, between economic help from the West and Soviet external behavior; explicit linkage to domestic behavior is not likely to work). Strategic arms control agreements should not be explicitly "linked" to anything. But their own progress will depend on the superpowers' ability to manage their contest in a less antagonistic way.

2. Those who speak of the retreat of American power lump together very different factors. One is an inevitable comparative decline. The preponderance of military and economic power enjoyed by the U.S. in 1945 could not last; it was clear that the USSR would want to close the gap (and even if we have often been wrong in expecting less of a Soviet nuclear build-up than took place, our own massive program of 1961, plus the humiliation inflicted on the Soviets during the Cuban missile crisis, gave them two powerful jolts and incentives). The economic recovery of our allies, as well as the economic integration of Western Europe, were our own objectives. The rise of OPEC is another element in that comparative decline; ironically, what has given OPEC its power is the very spectacular economic growth of the advanced capitalist states, based on cheap energy.

A second factor is quite different. It consists of recent American defeats; see the litany above, and add Iran, or the disintegration of our position in Turkey or in

Pakistan. But on the one hand, in practically every instance, we find that our failure was due, not to a lack of material power, but to a deficiency in political analysis and skill—in the use of our power, in our capacity to control the outcomes, in our ability to anticipate events and to either exploit opportunities, or get out of hopeless situations in time, or align ourselves with the forces that were destined to prevail (not in order to capitulate to them but in order to influence them). This has to do not with muscle but with brain. On the other hand, the world as seen from Moscow is not rosier than the world as seen from here. China's drive for development, its rapprochement with Japan (largely because of Soviet bungling), at least partial peace, under U.S. auspices, in the Middle East. Continuing negotiations, under Western auspices, about Zimbabwe and Namibia, the consolidation and enlargement of the EEC, the cooling of relations with India, and continuing discontent in Eastern Europe—not to mention quagmires in Erithrea and Afghanistan: All of this shows that growing might is not a perfect answer on the other side either.

A third factor in the alleged "retreat" is lack of will or resolve. But will, resolve, taking a stand, become all too easily grandstanding, show without substance, and empty rhetoric—or, as in Vietnam, recipes for disaster. The key problem here is that the instruments of control on which we have been used to rely: the application of military force or assistance, and the provision of economic aid, are simply inappropriate or insufficient in three kinds of issues that dominate today's agenda: economic problems such as the energy crisis or the questions of inflation and recession that plague us and our allies, disputes between states both of which happen to be our friends or allies, internal disorder in friendly countries whose troubles are too deep to be "resolved" by covert action. Thus the real drama lies in the divorce between an expectation of control and the difficulties of influence; it lies not in the absence but in a kind of impotence of power—in a world in which America's own preponderance and position as guardian of the status quo make it the inevitable target of all the discontented, of all the efforts at rewriting the rules of every game.

3. In concluding, let me say that although there are more than enough reasons to worry about the future of America's role in the world, if one looks at trends in the world economy, or at world population figures, or at political and social conditions in developing countries, or at racial issues and festering conflicts in most areas, or at productivity figures in the U.S., I am more disturbed by some conceptual or perceptual deficiencies that mark the way in which Americans look at the world. The recent debate on the Panama Canal as well as the current one on SALT have thrown alarming light on these flaws (and also on serious institutional problems concerning the ability of a system of checks and balances to work effectively at a time when isolation is impossible but patriotic mobilization around an imperial President is also ruled out, and when one observes both a weakening of parties and a rise of single-issue pressure groups).

A first deficiency is the tough-guy approach to international affairs. The number of problems that are likely to be resolved or even just improved by displays of force and dramatic acts of commitment is limited. Such acts are often useful, in a crisis. But they are no substitute for political skill, before, even during, and after the crisis (or so as to avoid one).

And yet there is, in the land, a nostalgia for big sticks and heroic strikes, for a kind of High Noon version of international diplomacy, for a world policed by America's sheriffs or marshals, for the superiority of American might and simplicity of moral division between good and evil which such a world entailed. The Carter Administration has been good at resisting these pressures, but one doesn't win much support by pointing out what mistakes one has not made, what follies one has avoided—especially not when the official voice is as hesitant and cacophonous as has been the case in the past three years.

There is a second manifestation of the same flight from the imperatives of political analysis and skill; the obsession, criticized above, with calculations of strategic nuclear equivalence, and in particular of Minuteman vulnerability. It is as if numbers of warheads or launchers, figures of throwweight and potential destruction, provided one with a gruesome but welcome certainty, with a firm and measurable handle over the messy uncertainties of international relations. The overemphasis of politically very improbable doomsday military scenarios is, like the recurrent belief in dominoes, proof of a never-abandoned quest for precision and predictability. But not only is this a misplaced quest, it is also dangerous insofar as it takes attention and money away from the indispensable study of the myriad of complex economic, social and political forces that criss-cross in more than one hundred and fifty countries, and that we desperately need to understand if we want to be able, not to control them, for this is beyond any single nation's reach, but to affect them, and to prevent them from pushing us into the decline we seem to fear so much. For there are many ways in which great powers fall into decadence. Military ineptitude is only one of them, and certainly not the one that threatens us most. Getting out of touch with what is happening outside is another way of falling. Arms control agreements such as SALT II, which do not lull us into complacency about the military balance, at least provide us with more leeway to turn to what really counts, I won't say "ultimately," in order not to offend those who believe that military might remains decisive in the last resort, but certainly in the daily contests of world politics. A rejection of SALT, or amendments that would in effect destroy the agreements, would encourage the national obsession with numbers of weapons, concentrate attention on the arms race, and divert it from all the rest.

STATEMENT OF PAUL C. WARNKE

ARMS CONTROL AND SALT III OBJECTIVES

Mr. Chairman and Members of the Committee: As the Members of the Committee know, I left my government responsibilities with regard to the strategic arms limitations negotiations over ten months ago. Accordingly, my comments today on possible approaches to SALT III must be considered to be those of a private citizen. They are, of course, based on my close personal observation of the SALT process.

In my opinion, it is imperative that the ratification of the SALT II treaty take place as soon as possible so that this process may go ahead without further loss of time. Experience shows that, as SALT plods along, the unimpeded advance of nuclear technology puts ever greater obstacles in the path of sound and effective nuclear arms control.

As I testified before this Committee last July, I see one of the main advantages of the SALT II treaty as being the creation of a firm foundation on which further quantitative reductions, qualitative constraints and other limits on nuclear weapons development may be based. Accordingly, I do not see as the goal of the SALT III negotiations the creation of a whole new replacement treaty. With the entry into force of the SALT II treaty, we will have the basic structure for a continuing nuclear arms control regime. Much, if not most, of the SALT II negotiations centered around such fundamental issues as the definitions of the particular nuclear weapons systems to be covered and the provisions on verification. These issues need not and should not be renegotiated. They may, of course, be supplemented.

Nor, as was the case with the SALT II treaty, need there be agreement on the entire congeries of complicated issues before agreement can be reached on any individual item or related set of items. In SALT II, nothing could come into effect until everything was settled. Now, it would facilitate the negotiations and yield much more rapid progress if SALT III is conceived as a set of separable packages.

Thus, President Carter has made it clear that he places very high priority on substantial reductions in both the overall aggregate of nuclear weapons delivery systems and the subceilings on the more dangerous and destabilizing of these weapons systems. These subceilings are among the more useful precedents created by the SALT II treaty. At an early stage, it should be possible to agree, for example, that when the reduced ceiling of 2250 is reached by the end of 1981, further reductions will be made to bring the aggregate strategic nuclear delivery vehicle total to a figure well below that level by the end of 1985. At the same time, and as part of the same package, agreement should be reached to cut, by that same end date and to a significant extent, the subceilings of 1200 MIRVed ballistic missile launchers and 820 launchers of MIRVed intercontinental ballistic missiles.

Associated with this package of quantitative cuts, there should be an agreement to extend the term of the SALT II treaty, at least through 1990.

This relatively simple package would, of course, require Senate ratification before it came into effect. It could, however, be presented to the Senate as soon as it has been negotiated and it should not, I think, prove to be controversial.

Another set of related proposals could be those that are designed to have a further inhibiting effect on the development of new types of strategic nuclear weapons capability. One such measure would be a limit on the number of intercontinental and submarine-launched ballistic missile tests that can be conducted in any one year. Either the limit of six which was part of the March 1977 proposal might be considered or perhaps some separate ceiling applicable only to ICBMs.

Another such limit, which could be associated with that on test firings, could be a ban on any testing of submarine-launched ballistic missiles in depressed trajectories, a development which would lessen the warning time for attacks on our strategic bomber force. The limits on changes in existing missiles should be tightened to the extent that verification considerations permit. Specific inhibitions on any new strategic weapons in the early concept stage could also be included in this particular package of SALT III amendments to the basic SALT II treaty.

My preference for this separate package approach to SALT III is grounded in large part by the next set of SALT III issues that I would like to discuss. These involve the so-called grey area systems—the theatre nuclear weapons that come in between the tactical battlefield classification and those of strategic intercontinental range. Obviously, these longer range weapons in the theatre nuclear forces create negotiating and political problems of great complexity. Their direct relationship to alliance force structure decisions means that their disposition in treaty provisions cannot be an exclusively bilateral process. Our recognition of the sensitivities that these theatre nuclear forces evoke was reflected in our insistence in SALT II that only weapons of intercontinental range would be covered. At the Vladivostok meeting between President Ford and General Secretary Brezhnev, the Soviets accepted our position that forward-based systems in Europe would not be included.

There is, as the members of the Committee know, not complete consonance of views among the NATO allies as to the inclusion of theatre nuclear forces in SALT III. At the same time, it is clear that alliance decisions on the upgrading of NATO's theatre nuclear forces can only be made in the context of developments in Soviet nuclear forces of comparable range. Moreover, the only restraints on long-range ground launched and sea launched cruise missiles are those contained in the Protocol, which inhibits only the deployment but not the testing of such weapons through 1981. It seems very likely that the Soviet negotiators will propose, as part of SALT III, new restrictions on cruise missiles on ground or sea launchers that could reach the Soviet Union from Western Europe. We, however, have made is very clear to the Soviets that no such restrictions could be accepted unless there are comparable restrictions on such long-range theatre systems as the Soviets SS-20 and the Backfire bomber.

Any decisions as to what theatre nuclear weapons we are prepared to forego, and in return for what limits on Soviet theatre nuclear forces, must be made in close consultation with our Western European allies. These decisions will require careful analysis of the implications for NATO's security of going ahead or holding back. Will, for example, a surprise attack on Western Europe be less or more feasible if both NATO and the Warsaw Pact have uncountable numbers of long-range cruise missiles deployed on ground and sea launchers? Splendid as our verification capability is, I know of no way that we could tell or the Soviet Union could tell how many such missiles are in fact deployed, against what targets they are aimed, or even whether they are armed with nuclear or conventional warheads or a mix of both.

Moreover, even if the other NATO countries are willing to have questions of threatre nuclear forces negotiated in bilateral meetings between the United States and the Soviet Union, it seems certain that this part of SALT III could only go ahead with some more formal and more continuous consultative mechanism, whereby we would have constantly to renew the proxy given to us by our allies. We would, I am certain, be completely unwilling to decide issues basic to NATO's nuclear military forces except on the basis of full agreement and understanding within the alliance.

But, as I see it, there is no reason why this set of issues, which raise such troubling political, military and negotiating problems, should hold up further bilateral agreement on deep cuts and new qualitative restraints on strategic range nuclear weapons systems. There is, I recognize, a temptation to find a relationship among all of the questions that can arise as the SALT negotiations continue. The breaking down of these issues into separate packages, that might be negotiated, signed and ratified as separate amendments to the basic SALT II treaty, foregoes some opportunity for trade-offs. But, to take one simple instance, we would certainly have preferred to see lower figures than 2250, 1200 and 820 as part of SALT II. We in fact proposed, unsuccessfully, limits on flight tests and test testing of submarine launched ballistic missiles in depressed trajectories. If and when we can secure agreement on these further cuts and these new restraints, I can see no reason why they should not promptly be brought into force as amendments of the basic treaty.

As for the relationship between SALT and other arms control initiatives, I would support Dr. Panofsky's suggestion that the SALT forum might be used to agree with the Soviet Union on a cutoff of production of fissionable material for military purposes. The United States has repeatedly supported such a cutoff in the past and its coming into being would be consistent with our attempts to improve security and lessen the risk of nuclear war by limiting further the development of new nuclear weapons. In addition, I think the speedy completion of a comprehensive ban on the testing of nuclear explosive devices is both possible and highly desirable. Again, such a ban would impede the creation of new and even more destructive nuclear weapons systems. Having headed our delegation to these Comprehensive Test Ban negotiations until last November, I am confident that what once appeared as the major problems can now be readily resolved.

Moreover, the cessation of testing of nuclear explosive devices is, as I see it, an indispensable part of a realistic policy against the proliferation of nuclear weapons. So long as we and the Soviet Union insist on our need for further tests of nuclear weaponry, our pleas that other sovereign states forego any such testing are destined to fall on deaf ears. Whatever national security arguments might be made for continued testing are, I am convinced, dwarfed by the national security detriment of encouraging other countries to acquire a nuclear weapons capability.

Finally, I would like to make my own plea for the assigning of a higher priority to the completion of new limitations on strategic nuclear weapons. The process, as I see it, is inescapably a slow and cautious one. We can't afford to speed it up at the sacrifice of thorough consideration and full exploration of the possibilities. But neither, in my opinion, can we afford to draw it out artifically and unnecessarily by holding SALT hostage to every swing in U.S./Soviet relations.

SALT, as I have said repeatedly, is not a favor that we are doing to the Soviets, one that we can withhold as a punishment or proffer as a bribe. SALT is instead a responsibility that history, our scientific genius and our position of world leadership have placed upon us. Confident as I am that the SALT II treaty is a major step forward to nuclear sanity, I am equally convinced that we must go further and go faster. It is for these reasons that I recommend strongly that we get ahead with it, that the SALT II treaty be ratified promptly, and that it be used as the firm foundation for a series of additional and separable improvements that can be considered and accepted as amendments to the basic treaty.

Such an approach can mean more rapid and substantial progress, and permit the consideration of SALT issues in an atmosphere less politically charged. It affords a means whereby the more complex and controversial issues will not prevent the prompt entry into force of simpler but no less significant steps in nuclear arms control.

TESTIMONY BY W. K. H. PANOFSKY

APPROACHES TO SALT III

I am pleased to have the privilege of testifying before your Committee again, this time in connection with the pending ratification of the SALT II Treaty. I have been interested and involved in Arms Control since World War II, and I am currently a member of the General Advisory Committee on Arms Control and Disarmament. However, I am testifying here as an individual citizen, giving my personal views.

SALT III in the context of SALT II

I am speaking about approaches to SALT III in the context that SALT II will be ratified without amendments. I will assume that any concurrent resolutions would deepen the legal commitment to the provisions of SALT II, but would not change its substance or basic intent. I continue to be persuaded that ratification on SALT II is strongly in the net security interest of the United States. This Committee has heard many witnesses from within and without the Administration enumerating how the provisions in SALT II place limits on the threat against which this country has to be prepared, and how several of the other provisions assure the integrity of our intelligence collection assets. It has been amply demonstrated that the level of strategic nuclear weapons in the absence of SALT on both sides would be substantially higher than with SALT enacted. Moreover, witnesses have been persuasive in demonstrating that SALT II places more substantial restraints at this stage of nuclear weapons development and deployment on the Soviet Union than it does on the United States. I will not repeat these arguments here in further detail.

You have also heard numerous criticisms of SALT. Yet I have heard no criticisms to which an easier remedy can be found through repudiation of SALT II. You have heard numerous criticisms of our military posture. Yet I have heard no proposed measure to improve that posture which is easier to achieve by repudiation of SALT II. Most, if not all, of these criticisms deal with questions outside the provisions of the SALT agreements themselves, but involve issues which the critics believe will be affected adversely through political linkages if SALT were enacted. I find it interesting that many of these arguments are in opposing directions: There are those who argue that enactment of SALT II will lull us into a false sense of security and therefore will impair the willingness of this country to provide adequately for its own defense. To argue against an arms control treaty which demonstrably in terms of its intrinsic content will enhance our security by claiming that it will make future Administrations and Congresses be less than diligent in providing for the national defense, is at variance with the basic tenets of our system.

There are also those who argue that the price for ratification in terms of additional armaments is too high; in other words that SALT II will increase military spending beyond what could have been justified in the absence of the Treaty.

I note that these two criticisms are paired in their consequences, and I do not believe that either is valid. I have confidence that future elected officials of this nation can establish national priorities wisely.

It is essential to refocus the debate on the fundamental issues of the content of the Treaty and Protocol and not to be swayed unduly by the perceived linkage between SALT and other political or military issues. This conclusion is particularly important in the SALT III context: the progress from SALT II to SALT III, to which both the U.S. and USSR are committed, can hardly continue if the process is burdened with the politically perceived linkages of critics with a wide variety of views.

SALT II versus defense spending

Let me specifically comment on the linkage between ratification of SALT II and a commitment on the part of the Administration for increased defense spending, either in terms of a rate of growth of the U.S. defense budget for several years, or in terms of procurement of specific military hardware. I find this concept extremely troublesome. Requiring as a price for ratification increased military spending in the name of arms control would destroy the very purpose of that process. Moreover, it would contradict the key conclusion which I believe has been presented persuasively to this Committee by the majority of witnesses, namely, that the security of this nation will be greater, albeit by a small measure, with enactment of SALT than without. Therefore, however threatening one evaluates the Soviet military build-up to be, the defense spending required to counter that threat would be *lower* with SALT enacted. Note that this comment

does not specify how large defense expenditures should actually be; I am only saying that the effect of SALT should tend to decrease that burden. To maintain exactly the opposite, that ratification of SALT should be held hostage to a commitment for increased military spending, lacks any logical connection, irrespective of Soviet conduct or threat.

If, as part of the duty of the Senate to to pass on ratification of a treaty negotiated by the Executive, the Senate would precommit itself on defense expenditure levels or approval of specific military systems, this would be a disservice to another constitutional role of the Executive and Legislative branches. The Congress through both the Senate and the House has the responsibility of examining critically any public spending, be it military or civilian, and of passing upon the merit of specific military systems through the annual authorization and appropriation processes. Such decisions determine our national priorities and are traditionally decided by a majority of both houses, not by one third of the Senate. If ratification of SALT II in essence pre-determines such decisions, then the power of both Houses and also of the Executive branch in setting the budget is weakened. If SALT II is held hostage until this years' authorizing and appropriating processes have been completed, or until supplementary appropriations have been procured, then SALT II bears a burden through delays and linkage which would augur badly for the future of SALT III.

Arms control versus technology

This leads me directly to the matter which concerns me most about SALT and that is its slow rate of progress. SALT was initiated in 1967 at the meeting of President Johnson with Premier Kosygin at Glassboro, N.J. It has thence proceeded through four administrations, through a Treaty and several Agreements and Protocols, and has now led to the signature of SALT II. This process was initiated by the realization that, apparently inexorably, the world was accumulating nuclear warheads. Their number is now near 30,000, the great majority of which are more powerful than the two weapons which killed one-quarter of a million people in Japan. It appeared to both nations to be a pressing matter to reverse this evolution. Since well over 99% of the world inventory of nuclear weapons was (and still is) in the hands of the Soviet Union and the United States, a bilateral negotiation with its expectation of relative simplicity appeared to be the best forum. Now, 12 years later, although SALT I has had a beneficial effect in assuring the penetration of our deterrent warheads, and despite the fact that SALT II in itself is a clear asset to our national security, we find that technology has outstripped the pace of diplomacy and political decision making. In other words, the arms limitation which the SALT process has so far achieved is of lesser magnitude than the evolution of new military technical systems which has occurred in the interim period during which these limitations have been achieved. Such items as the Cruise Missile and the Backfire Bomber, as well as most long-range weapons systems which have theatre-warfare roles, were not in the picture when the SALT process commenced, and their emergence greatly complicates future negotiations. Moreover, the quality of strategic weapons has greatly improved while SALT was in the process of negotiations. Therefore, such problems as the vulnerability of the land-based deterrents of both sides and the consequent deterioration of strategic stability have grown during that period. It is therefore my belief that SALT III offers possibly the last opportunity to convert the important but relatively modest achievements of SALT II into a true halt and possible reversal of the dangerous and burdensome competition in nuclear weapons.

SALT III: Limited or ambitious objectives?

There is currently a substantial division of opinion on the role of SALT III. Some believe that the function of SALT III should be primarily to settle the unfinished business of SALT II. The reason why SALT II has such a complex structure is that it represents different levels of agreement. The Treaty deals with items on which definite long-term agreement was possible. The Protocol covers items which are being put on a limited time "hold" because these issues could not be resolved to the satisfaction of the negotiating parties. The Backfire letter deals with a military area which had been excluded by mutual agreement from the SALT process but on which the U.S. demanded assurance. All these instruments are binding legally but cover a different stage of decision making. Considering the difficult negotiations of the past, it therefore appears natural for some to view SALT III as a vehicle to complete negotiations on these items, and to deepen the mutual constraints of SALT II.

There are others, and I count myself among them, who believe that SALT III must achieve what colloquially is designated as "deep cuts." I would rather use the term "incisive arms control" to signify that a great deal more must be involved than major numerical reduction in military systems. I recommend strongly that highly ambitious goals be set for SALT III since I see the SALT process as *the only avenue in view* which has any hope of reversing the threatening rise in nuclear weaponry which we are experiencing, and I see the race between SALT and nuclear weapons evolution lost unless the SALT process can be accelerated.

SALT III: Simple formula or complex package?

Let me now turn to SALT III in the "incisive arms control" context. Deep numerical cuts in nuclear weapons systems in themselves may or may not add to our security, depending on their detailed nature. For instance, a formula of annual reduction of the aggregate strategic nuclear delivery vehicles with complete "freedom to mix" among them could have destabilizing consequences. For example, one or the other of the two nations might under such a formula choose to eliminate first those deterrent strategic nuclear delivery systems which are unsuitable for a counterforce role, but would retain those which have the largest potential to preempt through a first strike the deterrent forces of the opponent. If such a choice were made, we would face an even more dangerous world. Therefore I see no escaping the conclusion, however much one would like to see a treaty as complex as SALT II be followed by the high simplicity of a simple reduction scheme, that such an agreement would not be in the U.S. security interest. SALT III is likely again to be a complex undertaking and will again require careful attention to details and definitions, as was the case with SALT II. This does not mean that the details of the process under which SALT II was negotiated must be perpetuated; on the contrary, I hope means will be found to accelerate the negotiation and ratification processes.

Starting from the premise that SALT III will have to be an arms control package containing both mutual reductions and qualitative limits on technology, I would like to enumerate several *candidate* provisions for such an agreement. I am talking here only about candidate provisions because at this time no one can reasonably give detailed prescriptions for each element or the totality of such a package. *While I would encourage the Senate to adopt a resolution urging "incisive arms control" and an increase in the pace of the arms control negotiations, I strongly counsel against being too specific or constraining in such a resolution.* Not only are the necessary basic studies within the government in formulating specific provisions incomplete, but there is also a danger that a Senate resolution which constitutes a "de facto" insruction to the SALT III negotiators will impair the negotiating flexibility of U.S. negotiators which may prove necessary under future circumstances. Too specific a resolution might even increase Soviets intransigence, because it would give the appearance of denying them the opportunity of negotiating SALT III on a balanced basis. Numerical targets, delineation of systems to be controlled, schedules for reduction or restraint—these are all proper subjects for negotiation, not prior determinations.

Examples of SALT III content

(a) Reduction in central systems

Naturaly, SALT III must face the unfinished business of the Protocol of SALT II: These are the questions of controls on ground-launched and sea-launched cruise missiles (GLCMs and SLCMs), and on land-mobile ICBMs. I will discuss these items as candidates for inclusion in the total SALT III agenda.

Substantial reductions of central nuclear weapons systems must remain, of course, the cornerstone of any incisive arms control agreement. I would recommend for the reasons mentioned above that U.S. proposals for reductions apply separately to each category of strategic nuclear delivery vehicles already identified in SALT II, as well as to overall aggregates. I would recommend that the United States push for phased reductions with a target of about 50% in overall aggregate. Even an eventual reduction as large as that should not induce the Soviet Union to be excessively concerned with the threat they are facing from other unfriendly borders, although this concern can by no means be neglected. Within this aggregate cut I would recommend that the number of MIRV'd land-based ICBMs be further reduced disproportionately. I note that in the ill-fated March 1977 proposal the U.S. moved to reduce this number to 550, with a number of 820 finally arrived at in SALT II. The number 550 proved difficult to negotiate because it corresponds precisely to the number of Minuteman III launchers. Therefore that number, if adopted, would have forced the Soviets to substantial reduction of land-based MIRV'd ICBMs, while it would have implied no reduction whatever on our side; clearly not a regotiable position unless compensating concessions are made elsewhere. I would recommend that consideration be given to reduce the number of land-based MIRV's, ICBMs substantially below 550.

The history of proposals for deep reduction in land-based MIFVs or even a zero MIRV provision is checkered. There have been objections by specific interests within this country, and the Soviets opposed reductions in this category initially because they did not wish to be frozen in a position of inferior technology. At this time, with Soviet MIRV technology approaching U.S. performance, particularly with respect to accuracy, and with growing Soviet concern about the vulnerability of their land-based deterrent, I would recommend a serious effort for a very drastic reduction in the land-based MIFV's ICBMs.

Verification of such a provision would, of course, be a very serious issue. At this time the only available means of verifying the number of MIRV'd land-based ICBMs rests on the counting rule which makes any launcher capable of launching a tested MIRV'd ICBM count as a MIRV'd ICBM launcher. Therefore, single warhead launchers would have to have credible distinguishable characteristics for this counting rule to be effective. It is this consideration which would have to be carefully studied as part of the foundation of the American position for SALT III.

(b) Quota on permitted missile test firings

A second major component for an incisive arms control proposal should be a limit on the annual rate of permitted ICBM and SLBM test firings. Test firings can serve development, troop training, and proof test purposes. If there were a permitted quota, each side would have to divide its number of firings among these objectives. Present test practices are asymmetrical due to the larger diversity of Soviet deployed systems and their missile firings for troop training from operational silos. Due to its geographic constraints, this is not feasible for the U.S. Accordingly, an equal quota for both sides would have a dissimilar impact on current practice. Such a missile test firing quota was incorporated in the U.S. March 1977 proposal relating to ICBMs only; a rate of 6 per year for both parties was suggested. I consider this number to be a reasonable goal for a phased reduction of annually permitted firings.

A limit on annual permitted rates of test firings is the most powerful verifiable restraint at our command for limiting the rate of growth in technology in the missile arts. Traditionally each new generation of missiles has required 10–30 or so test launches and therefore a stringent limitation of the testing rate would impact drastically the evolution of new generations of missile systems. There is no question that a test ban quota as low as 6 per year would severely constrain modernization. More important, the confidence which each side can acquire under such a restricted test regime, that missiles will perform with high reliability and high accuracy will be low. Accordingly a decision maker of either side will most likely be dissuaded from considering a preemptive or first strike attack. Thus a limitation on the rate of permitted missile firings would be a substantial factor in increasing strategic stability.

A measure parallel to a restriction on the rate of firing of ICBMs and SLBMs would be a total prohibition on test firings for development of any new system of MIRV'd ICBMs and SLBMs. Such a prohibition would be a useful additional step to prevent an increase in the threat to the fixed land-based deterrents of the two sides, and would be a significant impediment to the deployment of SLBMs with accuracy contributing to the threat to land-based ICBMs of both sides.

(c) Ban on deployment of mobile land-based ICBM's

Deployment, but *not* development and test, of landmobile ICBMs is prohibited in the Protocol of SALT II; this provision in no way inhibits U.S. programs. Note that deployment of the already developed Soviet landmobile SS–16 is explicity prohibited in the Treaty. This leaves the question of control of mobile ICBMs definitely on the agenda for SALT III. Definition of a U.S. position is to some extent linked to the total SALT III package. If the matter of vulnerability of the land-based ICBMs is dealt with by the provisions just mentioned (large reduction of the number of MIRV'd missiles, and limits of the rate of missile test firings), then there is no question that U.S. security will be served by negotiating a total ban on land-based ICBMs. The Senate should note that this was at an earlier time the U.S. position in SALT I. Competition in mobile land-based ICBMs is an area of contest between the U.S. and the USSR where Soviet assets are clearly superior to ours. They have larger land areas which can be dedicated solely to military use; they are less constrained by environmental impact factors; successful concealment and deceptive moves are more easily carried out in a closed society. Thus *only* if we are willing to give overriding priority to the matter of preserving land-based ICBMs, *and* if this problem cannot be solved by other measures in arms control, can a mobile land-based system offer a possible strategic advantage. I will not discuss here the complex issue of protective basing of ICBMs in a manner other than land-mobile, but I conclude that superior and practical alternatives do exist.

(d) SLBM stand-off and ban on depressed trajectories

I would suggest for inclusion in a package for SALT III two specific measures relating to the survivability of the air-borne component of the triad of strategic systems. The first is a ban on testing and development of depressed trajectories from submarines and the second is a minimum standoff distance from shore for submarines capable of launching SLBMs.

Currently there exists a technical possibility that Soviet submarines could approach U.S. coasts and launch SLBMs on trajectories which assure a minimum flight time to U.S. air fields. This could make the time for U.S. bombers to escape marginal. Although the principal counter-measure against such a possibility would be to base an increasing number of bombers further inland, an arms control measure to remedy this threat would be to ban the testing of submarine launched missiles in short flight time, so-called depressed, trajectories. In addition, agreement on a forbidden zone of approach of submarines capable of launching SLBMs would be a further measure to decrease this threat, to both sides.

(e) Gray area system

The above examples, which are by no means exhaustive, all relate to central strategic systems and do not touch upon control of the so-called gray area systems, that is those systems which can have both a theatre-warfare and long-range capability. Few believe that the discussion of gray area systems can be excluded from SALT III. It is anticipated that the Soviets will insist on the inclusion of forward-based systems in SALT III because they will maintain, with some merit, that "incisive arms control" leading to substantial cuts in central strategic systems increases the relative importance of the U.S. controlled forward-based systems. In turn, inclusion of forward-based systems, reinforced by the technical developments which blur the border between strategic and theatre-warfare systems, will make consideration of the Euro-strategic balance an unavoidable issue also from the NATO and U.S. points of view. Note that the need to include consideration of GLCMs and SLCMs is "unfinished business" from the SALT II Protocol will also contribute to the pressure to consider European theatre-warfare systems comprehensively.

These issues raise the question of the details of the negotiating format for SALT III, which as a minimum will require a more intensive consultative process with NATO as part of policy formulation. Separating the consideration of gray area systems from SALT and placing it into a separate negotiating forum appears inadvisable, since such a move would be viewed by NATO as an effort to decouple consideration of the Euro-strategic balance from consideration of the overall US/USSR strategic situation. Such decoupling, in turn, would further detract from the credibility of the U.S. central strategic nuclear forces as an element in deterring Soviet incursion into Europe.

(f) Cut-off of production of fissionable material for military purposes

An additional element of a SALT III package might well be a renewal of a proposal, previously endorsed by the United States, for the cutoff of production of fissionable materials for military purposes. The current inventories of fissionable materials for nuclear weapons of both sides are large. Any further production can, of course, feed fabrication of additional nuclear warheads. Such increases can support further fractionation of MIRVs, additional cruise missile warheads, of stockpiles of weapons for reload of delivery systems. Moreover, such growth can provide additional warheads for defensive weapons, in particular should ABM deployment again become permissible. A production cut-off would limit these activities on both sides, with a substantial gain in overall strategic stability. Under such an arms control regime there could, of course, be conversion of nuclear weapons inventories among a diversity of military weapons without increased production. Moreover, some increase in total weapons inventory could be advanced through improved economies in the use of fissile materials. A production cut-off agreement would have to permit maintenance of the existing nuclear device stockpile through certain exceptions to a total production prohibition.

In this connection I would like to stress that ratification of SALT II has a major impact on the efforts to limit proliferation of nuclear weapons to other nations. The Nuclear Non-Proliferation Treaty signed in 1968 and ratified in 1970 contains an explicit declaration that the nuclear weapons states intend "to achieve at the earliest possible date the cessation of the nuclear arms race and to take effective measures in the direction of nuclear disarmament," as well as a specific article constituting a good faith obligation to pursue negotiations toward terminating the nuclear arms race. Failure to ratify SALT II would contribute to the growing cynicism of the non-nuclear weapons states regarding the sincerity and good faith of the Soviet Union and the United States in implementing their obligations under the Non-Proliferation Treaty. Quite apart from the important arms control impact of a provision to terminate production of fissionable material for weapons purposes on its own merit, such a cutoff would demonstrate dramatically to the non-nuclear weapons states a good faith in adherence to the provisions of the Non-Proliferation Treaty.

Let me repeat that the above listing of possible inclusions in a SALT III package is given only on a "for instance" basis, and each item requires detailed analysis both as to specific substance and optimum negotiating tactics. However, it is my deep conviction that if a maximum number of such provisions were introduced and proved negotiable with the Soviet Union, then incisive arms control would indeed result, and the SALT process would have fulfilled its promise of having not only limited but also reversed the competition in nuclear weapons between the United States and the Soviet Union. Yet I see no way in which this expectation, which would greatly increase the security of this Nation, can be fulfilled without prompt ratification of SALT II.

SALT: Perception versus reality

The above discussions have emphasized the technical content of possible SALT III provisions and refrained from commenting on the future political context and the general question of linkage of the SALT process to Soviet conduct and attitudes. This has been done deliberately. There has been in the discussions of the merit of SALT II a great overemphasis on the perceptions which might flow from the SALT process and from the Soviet and United States strategic military posture, to the detriment of considerations of the actual provisions of SALT II and the physical realities which would befall mankind should nuclear weapons in part or in their totality actually be used in war.

As a member of the technical community I feel a strong obligation to continue reminding the political leaders and decision makers of this country that there is a great danger in considering nuclear weapons primarily as political symbols, and only second-

arily as tools which might actually be used. I am hardly alone in raising this issue. Let me remind you of the words of Andrei Sakharov, the eminent and frequently dissident Soviet nuclear physicist: "I believe that the problem of lessening the danger of annihilating humanity in a nuclear war carries an absolute priority over all other considerations."

We must continue to examine the consequences of actual use of such weapons and how they would affect the true outcome of a conflict. If we permit nuclear weapons to enter the decision making processes primarily as symbols of national strength and resolve, then we deny ourselves any rational means to decide when enough is enough.

In this regard let me reemphasize two salient facts:

(1) If nuclear weapons are actually used in any theatre, against any set of targets, for any purpose, by any nation, under any military doctrine, then large fractions of the populations of both the United States and the Soviet Union and their neighbors are at the gravest risk.

(2) The number of nuclear weapons in the possession of the United States and the Soviet Union is now so large that a very large fraction of these weapons is aimed against targets of relatively minor economic, political, or military importance.

Under those circumstances, many of the arguments which have been presented to this Committee on the details of the relative military standing of the two nations become relatively less significant when compared to the overarching danger of nuclear war.

Let me close with the expressed hope that it is consideration of the physical realities rather than political perceptions pertaining to strategic nuclear weapons which will remain in the forefront of deliberations of the Senate when considering the question of ratification of SALT II.

STATEMENT OF DONALD G. BRENNAN

SALT AND ARMS CONTROL

Mr. Chairman, and members of the Committee. I am pleased to be able to testify before you. I should state at the outset that I oppose SALT II, and believe the Senate should not consent to its ratification. Before explaining why, let me tell you something of my background; a biographical sketch is at the end of my statement, but it will be appropriate to mention here some details relating to arms control. I shall then sketch my objections to SALT II, and then take up how the next round of negotiations might better be structured.

My first serious involvement with the subject was in connection with a small summer study in 1958 in Cambridge, Massachusetts, of which I was one of the organizers. I was an organizer and co-director of a much larger summer study on arms control held in 1960, again in Cambridge, and concurrently served as guest editor of a special issue on arms control, published in Fall 1960, of the journal "Daedalus" of the American Academy of Arts and Sciences. This volume, of which Senator Hubert Humphrey was one of the authors, was later published as a book in the Spring of 1961 under the title "Arms Control, Disarmament, and National Security," and was widely described as the "bible" of arms control. It was endorsed by Senator Fulbright and by President Kennedy, among others. In the early summer of 1961, as a consultant to John McCloy, I helped to draft the statute that created the Arms Control and Disarmament Agency. My first interaction with this Committee came in August 1961, in connection with the hearings on the creation of ACDA, which I supported with a statement submitted for the record.[1] I first testified to this Committee in person in August 1963, in support of ratification of the partial nuclear test ban, and have been here on several occasions since, including the ratification hearings for the Geneva Protocol on Chemical Warfare and for SALT I. I supported, and indeed helped to create, mechanisms for serious private Soviet-American discussions of arms control as a supplement to governmental negotiations. I have visited the Soviet Union in this connection on three occasions. With the exceptions of the agreements signed in May 1972 and June 1979 in the SALT, I have supported, in one way or another, every arms-control agreement adopted by our Government since World War II. This history should make it very clear that my opposition to SALT II does not derive from an opposition to arms control in general—indeed, quite the contrary.

I oppose SALT II because it is bad arms control. The traditional major objectives of arms control have long been understood to be to reduce the likelihood of war, and to reduce the scope and violence of war if it occurs. For reasons I shall explain, I judge that SALT II is more likely to increase the chance of war than to reduce it, and it most certainly will do very little to reduce the scope and violence of war if it occurs. It also has other disadvantages, of which I shall mention some. It should therefore be rejected as unsound arms control.

The most basic difficulty is as follows. A highly plausible means by which the United States may become involved in a war is for a prospective opponent to decide that the United States will not react to some move, which the opponent thereupon undertakes, only to discover that the move was beyond the limit of our toleration. The Korean war, for example, clearly resulted from this mechanism. If a Soviet-American war ever arises, it is most likely to involve this means, in which the Soviets understimate American willingness to respond to some adverse Soviet move. And that Soviet judgment will relate to their beliefs about comparative Soviet and American military strengths, among other factors.

The plausible role of SALT II in such a crisis is that it will contribute to Soviet beliefs both in their military superiority and in our lack of willingness to stand up to them, even at the level of maintaining military forces on a par with theirs. I judge that such a role is more likely than any major constructive results from the Treaty. Of course, such a role would be highly dangerous.

The slide in American military strength since the 1960s (in comparison to that of the Soviets), especially in the strategic nuclear areas, has been discussed by many witnesses in the SALT II hearings, and need not be detailed here. (See, for example, Annexes I-I and IV in the statement of Paul Nitze submittted to this Committtee on July 12.) Up to the present, I believe this has chiefly been the result of a SALT-related euphoria since the late 1960s, although the specific terms of SALT I contributed their share. Within the projected lifetime of SALT II, there may well be additional SALT-related euphoria, but there will certainly be contributions from the specific details of SALT II. Let me next discuss some of these; I shall then take up some suggestions for subsequent negotiations.

ASYMMETRIES IN TERMS

A major defect of SALT II resides in the fact that the Soviets are allowed 308 "heavy" ICBMs, while the United States is allowed none, and there is no compensating capability that is asymmetrically in our favor. The absolute maximum MIRVed ICBM payload (or "throw weight") that would be allowed the United States under SALT II would result from deploying 820 new "light" ICBMs with 8,000 pounds payload each; the Soviets would be allowed 820 MIRVed ICBMs of which 308 could have 16,000 pounds and the other 512 could have 8,000 pounds. This would give the Soviets roughly 40 percent more MIRVed ICBM payload than the maximum allowed the United States.

In actuality, it would be virtually impossible for us to deploy that maximum MIRVed IBCM force within the lifetime of SALT II, and the actual Soviet MIRVed ICBM payload by the end of 1985 is likely to exceed ours by a factor of 6 or more,[2] not a "mere" 40 percent. However, under reasonably plausible circumstances, the 40 percent figure is illustrative of what might obtain under SALT III, e.g., if the SALT II limits are simply extended, and in any event it is unambiguously the minimum margin of MIRVed ICBM payload superiority guaranteed to the Soviets under SALT II.

This guaranteed margin would be of political significance even if its military significance were doubtful (which it is not, as I shall show below). That the United States should sign a treaty with its principal opponent in which that opponent is allowed, by our agreement, any capability (however trifling) we are denied, while there is no counterbalancing capability allowed to us but denied to them, would widely (and accurately) be read as a political statement of weakness on the part of the United States. This interpretation would be particularly strong, and important, in the Soviet Union; it would be a contributing factor to the risk-of-war mechanism I mentioned above.

Some of the proponents of SALT II have tried to disparage the significance of the "heavy" ICBMs. However, their significance is considerable, even allowing for the 10-warhead-per missile limit imposed by SALT II. If we consider for comparison a 10-warhead "light" ICBM of 8,000 pounds payload, the warheads on a 10-warhead "heavy" of 16,000 pounds payload might have yields twice those of the "light" missile. For a given accuracy, the higher-yield weapons would be of some significance for attacking "hardened" American targets such as missile silos. However, the larger significance of the larger-yield weapons resides in the additional fallout fatalities they would produce. The extra yield of 308 "heavy" ICBMs (with 10 warheads each), as compared to 308 maximum "light" ICBMs (also with 10 warheads each), would probably be in the neighborhood of 2,000 MT; the maximum plausible difference might be perhaps 2,400 MT, and a difference of less than 1,500 MT would be unlikely. A total of 2,000 MT extra yield used in an attack on the United States would be certain to produce many extra fatalities.

Exactly how many additional Americans would be killed by 2,000 MT additional yield would depend on many factors, including many details of the attack and the extent of civil-defense preparations made before the attack. However, a plausible range of added fallout fatalities would be from a few million to a few tens of millions.[3] Under some (not implausible) conditions, American fallout fatalities could be doubled or even tripled.

Another asymmetry in the terms of SALT II, though of much less importance, is that the Soviets are allowed more ICBMs than are we, specifically 1,398 against our 1,054—344 more. These Soviet ICBMs must, of course, be counted under the overall ceilings, and if they wish to have more bombers or more SLBMs, they must reduce their ICBMs accordingly. However, they are allowed the option of up to 1,398 ICBMs, and we are not. This gives them more flexibility in their strategic posture, e.g., in choosing to have even more ICBM payload if they wish.

These asymmetries seem to me to be clearly against the spirit of the "Jackson Amendment" embodied in P.L. 92-448, which states: "The Congress recognizes the principle of United States-Soviet Union equality reflected in the Anti-Ballistic Missile Treaty, and urges and requests the President to seek a future treaty that, inter alia, would not limit the

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United States to levels of intercontinental strategic forces inferior to the limits provided for the Soviet Union; . . . ". The Senate, at the time of adopting this in 1972, understood it to mean that the United States should not be limited (by agreement) to levels of strategic forces inferior to those of the Soviet Union in payload; this is manifestly clear from the legislative history of the Jackson Amendment. If, in the face of this language, the Senate now accepts SALT II, then P.L. 92-448 should be pickled.

ASYMMETRY IN COVERAGE

The extra ICBM payload (in the 308 "heavies") and the extra number of ICBMs (344) allowed the Soviets result from explicit provisions of SALT II. A different major difficulty of SALT II resides in the fact that a Soviet weapon system that appears to be of major potential strategic significance, namely the "Backfire" (TU-22M) bomber, is excluded altogether from the SALT II Treaty ceilings, while American bombers that apparently are closely comparable in capabilities—specifically our B-52s—must be counted. As in the case of the "heavy" ICBMs, there is no offsetting capability that we are allowed but the Soviets are not.

Western estimates of Backfire capabilities are imprecise. It is estimated in Jane's that, with a 10-ton bomb load, Backfire has a maximum unrefueled combat radius (for a two-way mission) of 3,100 nautical miles (nm).[4] I understand that a somewhat lower estimate of 2,900 nm is widely accepted in the Government for a 10-ton bomb load, which would correspond to 5,400 nm or 10,000 Km one-way range. For a 5-ton bomb load, for comparison with readily available B-52 data, these latter values should increase at least 6 percent, to 3,074 nm radius or 10,600 Km one-way range. (Compare this with the SALT range criterion for ICBMs of 5,000 Km.) The corresponding unrefueled combat radius for a B-52D with a 5-ton bomb load is 3,012 nm,[5] less than these widely accepted Backfire estimates, still less than the Jane's estimate.

While lower estimates of Backfire capabilities can undoubtedly be found, these comparisons show that it would be impossible to have confidence that Backfire performance is significantly less than the B-52D, of which we have about 80 in current active inventory, all of which must be counted under SALT II ceilings. Of all the B-52s produced, only the G and H models, about ⅓ of the total, have an unrefueled range capability somewhat in excess of the Jane's Backfire estimate. Backfire has a supersonic capability not matched by any of the B-52s.

By the projected expiration date of SALT II, the Soviets could have 30 percent or more of their total strategic payload in Backfire (which is a very substantial increment). They have said that they do not intend to use Backfire in a strategic nuclear role against the American homeland, but, as an ACDA statement accurately put it, ". . . there are no assurances that will ensure that Backfires would not be used against the continental United States in time of war."[6] It is as if the United States were to refuse to include all of the Poseidon launchers under the SNDV ceilings because some are assigned to SACEUR for theater targets. Note that the omission of Backfire from the aggregate counts means that the often-repeated assertion of "equal aggregate ceilings" under SALT II is untrue even as concerns simple numbers of strategic delivery vehicles.

EFFECTS ON VULNERABILITIES

The way in which the limits in SALT II are formulated—basically in numbers of delivery vehicles, at least in intention, with some refinements—contributes to the vulnerabilities of our strategic forces. In principle, this is a symmetric effect, but the Soviet forces threaten ours much more than ours do theirs, now and for at least the lifetime of SALT II, so it is not symmetric in practice.

Consider, for example, a proposed American MX deployment of 200 missiles with 10 warheads each, in comparison to a hypothetical deployment—let us call it MY—of the same total number (2,000) of the identical warheads, but on 2,000 individual boosters with one warhead each. The MX deployment would give the Soviets only 200 targets to "shoot" at, either before launch, during launch, or for a short time after launch, while the MY deployment would give the Soviets 2,000 real targets in each of these phases. The MY deployment would therefore be easier to protect, by any of several means, i.e., it would therefore be more secure, and hence more reliably stable in a crisis, than would be the MX force. The MY force would also allow improved and/or simplified command and control. However, the MY force would be precluded by the terms of SALT II, because it would exceed the total of allowed ICBMs—1,054 for the United States and 1,398 for the Soviet Union. The fact that the proposed SALT II limits are formulated in such a way as to encourage the deployment of a small number of large systems, rather than a large number of small systems, constitutes a major contribution to the future vulnerability of our forces. This need not have been so.

Another problem of SALT II in this connection is that some of the means that might have been used to protect our strategic retaliatory capability, specifically air-to-air surface ballistic missiles and mobile ICBSs, are precluded by the SALT II Protocol, which may or may not prove to be only temporary. Finally, one of the potentially best means of protecting our ICBM forces, as many of the proponents of SALT agree, is the use of active defense, specifically ABM, and this means is substantially precluded by the ABM Treaty of SALT I.

LIMITED GAINS

It is conceivable in principle that SALT II might achieve sufficient potential gains to offset its drawbacks. However, I do not believe this would be true in practice.

There are only two unambiguous gains I can see, and these are both modest. One is that ratification of SALT II should result in better information about Soviet forces than we would otherwise be likely to have. Since I do not believe that we shall be significantly restraining our own forces during the lifetime of SALT II on the basis of promised Soviet restraint,[7] this implies that verification problems should not directly be an obstacle to ratification, even though some Treaty prohibitions almost certainly cannot be verified by national technical means, such as production of SS-16 warheads[8] or cruise-missile range limits.

The other unambiguous gain I can see is that we shall probably have slightly more influence over Soviet decisions in non-SALT policy areas if the Treaty is ratified than if it is not. This influence, which would never be large, would be greatest on the eve of, or during, ratification debates; it would likely be near zero at other times. That we could exploit this influence to enforce anything like specific Soviet restraints in non-SALT areas seems to me wholly impossible.

Several other gains have been claimed for SALT II that seem to me to range from negligible at best, through highly contingent in the middle, to wrong at worst.

At the negligible end is the point that the Soviets will be required to destroy some actual weapons. This is true, but the capabilities destroyed will be small in comparison to those added, resulting in substantial net increases in every other important parameter of their ICBM force (warheads, megatons, equivalent MT, counter-military potential, and payload), while reducing the total number of ICBMs by slightly over 200.[9]

The warhead fractionation limits may prove useful if continued well beyond 1985, but are of little significance within the projected lifetime of SALT II. Indeed, it is not expected that the Soviets will even build up to the maximum warhead count allowed them under the Treaty within its lifetime.[10] Whether these limits are significant is therefore contingent on continuing them in effect for at least several additional years, a contingency that is nothing but a hope.

This is closely related to the issue of saving costs, a gain promised by many proponents. I have already noted my belief that we shall not be significantly restraining our own forces during the lifetime of SALT II on the basis of promised Soviet restraint, a belief strengthened by the estimate just mentioned that the Soviets will not even build up to the levels allowed them under SALT II. This, however, is to say that there is probably nothing substantial that we shall not be doing because of SALT II that we should be doing without it, i.e., there is probably no significant saving within SALT II itself. Assertions to the contrary would depend on highly convenient estimates. Major savings in the future would be contingent on continuing (or strengthening) the restraints of SALT II, again, nothing but a hope. This subject of costs should be considered in the light of the fact that major increases in American strategic-force expenditures are probably vital in any event.

Somewhat incidentally, it should be noted that anyone who would argue for major cost savings under SALT II would have a correspondingly major burden in verifying the putative Soviet restraint that permitted the savings.

The claimed gain for SALT II that seems to me most mistaken is that it would reduce the likelihood of war. There is very little reason to belive this claim. I believe, as I pointed out near the beginning of this statement, that SALT II is much more likely to increase the likelihood of war. This is related to the most important reason for rejecting SALT II.

RECOMMENDATIONS CONCERNING SALT II

Some of the leading critics of SALT II apparently oppose it primarily because of the relationship of the SALT to American euphoria about strategic forces. This opposition seems to me entirely reasonable. There can be no doubt that three successive Administrations have, in some collective sense, believed that the SALT would enable us to have strategic nuclear security "on the cheap", in the slang phrase, and that this belief has been a major factor in the evolution of our greatly weakened strategic posture. There is therefore something to be said for imposing a major pause on the process of the SALT, not particularly related to the specific terms of SALT II, while—it is hoped—we regain our strategic wits. I was struck by Paul Nitze's quotation (in his July 12 statement) of Lincoln's celebrated phrase that: "First we must disenthrall ourselves, and then we shall save the country."

Yet there is no doubt that it requires a certain degree of optimism—from my perspective—about the American Administration coming to power in January 1981 in order to believe that our strategic posture will be adequately repaired, whatever happens to SALT II in the meanwhile. As a matter of realistic politics, it is not obvious that my optimism should improve substantially as a result of rejection of SALT II. And even my most preferred candidate Administrations would be unlikely to accomplish many strategic repairs before 1986 that would be prohibited by SALT II.

Nevertheless, I believe that the case for rejecting SALT II is something close to overwhelming. The lesser, but nevertheless significant, part of this case resides in the fact that some potentially desirable specific re-

Footnotes at end of article.

pairs—such has the MY missile force—would be much less likely to be adequately studied, still less developed, under constraints that would prohibit their deployment, constraints that might be continued beyond SALT II.

The major part of the case for rejection resides in the necessity to make it manifest to the Soviets, and to some degree to the rest of the world, that the American body politic will simply not accept further one-sided constraints that allow the Soviets a guaranteed margin of superiority, whatever efforts we may make within the Treaty limits. This Treaty will strengthen Soviet beliefs—already too strong—that they constitute the wave of the future, that they have increasing military preponderance, and that the United States is increasingly unwilling to stand up to them, even at the level of insisting on a mere paper equality of allowed forces. The extent of these effects may be argued, but surely the direction cannot. And the direction is dangerous. It is the route to war.

I believe the best way of minimizing that danger is to reject SALT II outright. In this, I seem to differ with many of my fellow critics. However, if I were asked what modifications in the Treaty would make it minimally acceptable, I should suggest two.

First, the "heavy" ICBMs should be counted as two each. Thus, if the Soviets wish to retain 308 SS–18s, these would count as 616 against their allowance of 820 MIRVed ICBMs (and similarly for other limits and sublimits), so they could then have only 204 "light" MIRVed ICBMs. Under this condition, the Soviets might reasonably be allowed 20 warheads each on the "heavy" missiles, rather than the 10 now allowed.

Second, our B–52s should be omitted from the Treaty (simply by omitting references to the B–52 in paragraph 3 of Article II, and related common understandings). Because of the apparently close similarity of Backfires and B–52s in unrefueled range-payload characteristics, and their comparable numbers, this would be the appropriate counter to the Soviet refusal to include Backfire. The Soviets could then reasonably be relieved of the restrictions (other than on production rate) contained in their unilateral Backfire statement at the Vienna Summit.

If these two changes were made, I should be willing to ignore the matter of the extra Soviet ICBMs, and, with reluctance, could support the ratification of SALT II as so modified. But there is very little chance, in my view, that the Soviets would accept these changes under current circumstances, and, rather than seem to be taking refuge in such devices, I believe the forthright and proper action for the United States is to reject the Treaty outright. I therefore recommend that the Senate withhold its consent to ratification.

FUTURE LIMITATIONS

Mr. Chairman, you asked me to address the subject of arms control and SALT III objectives. It will be clear to you from the foregoing that I hope SALT II will be defeated, and, therefore, I shall not assume that the next negotiations will be preceded by ratification. The second paragraph of your letter of August 10 mentioned specifically the "direction, pace and scope" we should pursue "in future negotiations on strategic armaments", apparently not necessarily assuming the ratification of SALT II, and I shall therefore assume that acceptance of SALT II is not necessarily a prerequisite to these "future negotiations". I shall indicate what I believe is a suitable avenue to pursue in the next negotiations, whether they be called SALT III or SALT II or whatever, and whether II is ratified or not.

The best approach to such next negotiations is to use a scheme for limiting and reducing strategic nuclear offensive forces that is based on (or closely related to) the payload (or "throw weight") of such forces. Schemes of this general type have been suggested to the Soviets in the past, but, at least in recent official negotiations, the Soviets have rejected such an approach. I believe we should persevere in this approach.

An illustrative comprehensive scheme is shown in Table 1. The basic idea of this is as follows. Nuclear delivery systems of various kinds are grouped in the categories listed in the first column. In each category, the initial Soviet and American capabilities measured in tons of payload (or "throw weight") estimated for 1985 are given.[11] An "Initial Ceiling" for each category is then selected, basically as the larger of the Soviet or American capabilities in each category, in some cases rounded upward to a round number. The symbol that is an upside-down "v" appearing in the initial ceiling for the bottom category means "greater of", so that initial ceiling is the greater of X or Y. These ceilings are then decreased over time, not necessarily at the same rate for each category, and not necessarily by the same factor in each 5-year period. Each force (Soviet and American) must not exceed the ceilings on each category imposed at points 5 years and 10 years after the initial ceilings.

TABLE 1.—SAMPLE LIMITATION SCHEME FOR STRATEGIC OFFENSIVE FORCES

[Tons of payload]

Category	Initial United States	Initial U.S.S.R.	Initial ceiling	5-yr ceiling	10-yr ceiling	Category	Initial United States	Initial U.S.S.R.	Initial ceiling	5-yr ceiling	10-yr ceiling
ICBM	1,230	5,670	6,000	3,000	1,000	Heavy bombers	1,600	360	2,000	1,000	500
M/IRBM	0	1,000	1,000	500	250	Medium bombers	1,000	4,000	4,000	2,000	1,000
SLBM	1,075	1,195	1,200	800	500	NucTacAir	X	Y	(XvY)	(XvY)/2	(XvY)/4
Cruise missiles bombers	300	1,000	1,000	750	500						

For example, in this illustrative scheme, the ICBM ceiling is cut in half in the first 5-year period, and cut in third in the following 5-year period. The SLBM ceilings are reduced by much smaller factors, so that the allowed SLBM forces at the end of 10 years would constitute a larger fraction of the then-allowed total of strategic forces than they did at the beginning.

Different aggregations within categories would be possible and may well be desirable. For example, it might be desirable to lump together ICBMs and SLBMs in a single category, and allow each side to choose its own "mix" of such missiles, subject to the overall ceiling for this category. It might also be desirable to split up the cruise-missile category into two or more categories, depending on range. It should be noted that there is no need for separate sub-categories of MIRVed and un-MIRVed missiles. Each side should be free to choose the nature and details of its allowed forces within each category; e.g., the 1,000-ton ceiling on ICBM payload at the end of ten years could be deployed as 100 missiles of 10 tons each, or 1,000 missiles of 1 ton each, or 10,000 missiles with 200 pounds each (roughly the maximum number of warheads that could be fitted into 1,000 tons), or some combination of such missiles not exceeding 1,000 tons total payload. Lower ceilings would be desirable if they would be compatible with verification capabilities and with nuclear forces in the possession of other countries.

I have discussed this scheme in terms of payload, because that is conceptually simple and (in some sense) the real parameter of interest, but the scheme might actually be formulated (at least for the missile categories) in terms of the total gross volume of the missiles, which is of course more readily verifiable than payload. Different parameters could be used for different categories.

It should be noticed that the scheme includes shorter-range missiles and aircraft. Even systems of still shorter range might be included. I believe this provides a sensible way of including the so-called gray-area systems; the quantity of such systems allowed each side in inventory would be limited by this SALT-like scheme, but where they would be deployed (e.g., in Western Europe or in the United States) would not be a matter for negotiation in this framework.

Any system requiring substantial reductions in nuclear delivery systems will pose correspondingly substantial verification problems, and this scheme is no exception. While the specific verification issues of such a scheme have not been extensively studied, as far as I know, there is no reason to believe that the scheme is worse from this perspective than any other that would provide similar reductions. Particular problems will predictably arise with miniaturized systems, e.g., advanced cruise missiles, and with dual-capable systems, e.g., tactical aircraft. Whether satisfactory solutions to such verification issues can ultimately be found is not clear unless the Soviets collaborate much more in providing verification than now seems likely.

Of course, the Soviets are most unlikely to agree to any scheme of this general form within the near future, in any event. It would impose genuine ultimate parity—not immediately, but in 10 years (or whatever periods are chosen), and I believe the Soviets have little if any foreseeable interest in such a result. They will come to have such an interest, I fear, only when they perceive that the alternative would be worse for them. And this perception will come to them only when they see credible American defense programs that promise to leave them behind.

So, Mr. Chairman, my recommendation for achieving a satisfactory outcome in SALT II or III or whatever, in the form of the scheme above or any other, is to begin a vigorous program to restore our nuclear forces to the relative health they had in the past. The Soviets do not seem to understand any other language.

Thank you, Mr. Chairman. I shall be pleased to reply to questions.

FOOTNOTES

[1] *Disarmament Agency*, Hearings before the Committee on Foreign Relations, U.S. Senate, on S. 2180, August 14, 15, and 16, 1961. (Brennan statement at pp. 328–329.)

[2] See Nitze, July 12 statement, Annex III, chart 19, "1985—U.S./U.S.S.R. ICBMs", or chart 6, "The Balance in Throw-Weight".

[3] Some fallout-fatality curves recently calculated by Earl V. Sager of the System Planning Corporation are useful for such estimates.

[4] Jane's *All the World's Aircraft, 1977/78*, p. 463; ditto, *1978/79*, p. 202.

[5] U.S.A.F. publication *Standard Aircraft Characteristics*.

[6] Quoted in *SALT II: An Interim Assessment*, Report of the Panel on the Strategic Arms Limitation Talks and the Comprehensive Test Ban Treaty of the Committee on Armed Services, U.S. House of Representatives, December 23, 1978 (H.A.S.C. No. 95-95), p. 11.

[7] A point that suggests that promised cost savings of SALT II are illusory, if not wholly fictitious, as I shall point out below.

[8] See the Common Understanding to Paragraph 8 of Article IV.

[9] Compare Charts 13 and 19 of Nitze's Annex III.

[10] Nitze, Annex III, Charts 19 and 20. (I omit some obvious interpretive remarks here.)

[11] Initial U.S. and U.S.S.R. payload capabilities for ICBMs, SLBMs, and heavy bombers are taken from the 1985 columns of Chart 6, "The Balance in Throw-Weight", of Annex III of Paul Nitze's statement, converted into tons. (Nitze's estimate for Soviet heavy bombers did not include the Backfire, which I have therefore included under medium bombers.) Other initial estimates in the table should be thought of only as selected to illustrate the scheme; they have no pretense whatever to accuracy.

DONALD G. BRENNAN

Donald G. Brennan is a strategist and student of national security problems. His special interests are in arms control, alliance repolicy, such as policy issues relating to tactical and strategic nuclear forces.

Prior to joining Hudson Institute, of which he was President from July 1962 until May 1964 and where he is now Director of National Security Studies, Dr. Brennan worked for nine years as a research mathematician and communication theorist at Lincoln Laboratory of Massachusetts Institute of Technology. In addition to his technical research there, he devoted substantial time to studies of arms control and related national security problems.

Dr. Brennan's serious interest in arms control began in 1957, when he was organizer of a group that led to the 1958 Summer Study on Arms Control held in Cambridge, Massachusetts, under the auspices of the American Academy of Arts and Sciences. He was an organizer and co-director of the 1960 Summer Study on Arms Control, again held in Cambridge under American Academy auspices. He was chairman of the Academy's Committee on International Studies of Arms Control in 1961-62.

Dr. Brennan has served as a consultant to the Department of State, the Department of Defense, the Arms Control and Disarmament Agency, the Department of Energy (and its predecessors, the AEC and ERDA), the Executive Office of the President, and to several research organizations. He is the editor of the well-known anthology, *Arms Control, Disarmament, and National Security* (New York, George Braziller, 1961), sponsored by the American Academy of Arts and Sciences, and guest editor of its predecessor, the special (Fall 1960) issue of *Daedalus* on "Arms Control". He has edited studies of future military technology and several publications on arms control, and is currently a member of the Editorial Board of the journal *International Security*. He has contributed articles on national security topics to a large number of books and journals, including *Foreign Affairs*, *Orbis*, the *Bulletin of the Atomic Scientists*, *The New York Times*, and publications of the International Institute for Strategic Studies. He has lectured on national security subjects at many universities, at the U.S. National, Air, and Naval War Colleges, at the Canadian National Defence College, and at defense study centers in London, Bonn, Paris, Rome, and Oslo, among others, and has given seminars on arms control in the Soviet Union and China. He is a frequent witness at Congressional hearings concerned with national security affairs.

Born in 1926 in Waterbury, Connecticut, Dr. Brennan received the B.S. (1955) and Ph. D. (1959) degrees in mathematics from Massachusetts Institute of Technology, where he was a Gerard Swope Fellow and received other graduate and undergraduate prizes and awards. Prior to entering M.I.T., he was engaged in radio engineering as a registered professional engineer in the State of Connecticut. He is a member of Sigma Xi, the American Mathematical Society, the Council on Foreign Relations, the International Institute for Strategic Studies, and the Republican National Committee's Advisory Council on National Security and International Affairs, and is a member of the Board of Directors of the Committee on the Present Danger.

STATEMENT OF JAN M. LODAL

I would like to comment briefly on what I understand is our primary topic: land-based ICBMs and SALT II.

Our land-based ICBMs have important technical and military characteristics not found in the other components of our strategic forces. I believe that we should retain a land-based ICBM force and that it would be unwise to abandon our present "triad" of land-based ICBMs, air breathing bombers and cruise missiles, and submarine launched ballistic missiles.

This is true despite the emerging vulnerability of fixed land-based ICBMs. Depending upon the nature of future U.S./Soviet arms control agreements, one might be able to reduce the numbers of our land-based ICBMs somewhat, but I foresee no circumstances in which we could safely eliminate them altogether. We need ICBMs to provide a capability to launch selective and limited attacks against military targets, and land-based forces provide an important hedge against possible breakdowns in the more difficult command and control arrangements associated with bombers and submarines.

Our silo-based ICBMs have become an issue because we can now see the day when they will be theoretically vulnerable to Soviet attack. This vulnerability arises directly from two technological advances: the advent of independently retargetable re-entry vehicles (MIRVs), and the development of highly accurate ICBM guidance systems. Without MIRVs, it takes at least one missile to destroy an opponent's missile. Thus, if the forces are of approximately equal size, nothing can be gained by an attack. MIRVs change this calculation, permitting one missile to destroy several, provided the warheads have the accuracy necessary to hit their targets. Accuracy, and not the yield or size of the warhead, is the key to this capability. One cannot make up for any significant lack in accuracy with larger warheads or greater throw weight.

I can see no rationale for permitting the Soviets to maintain a unilateral counterforce capability against our silo-based missiles. One can make a theoretical argument that by increasing our own counterforce capability, we increase the incentive a Soviet leader would have to launch a surprise attack. But in practical terms, I believe the situation would be otherwise. A Soviet leader would be less likely to risk escalating a political crisis in the first place if he realized his own forces were as much at risk as ours. His belief that he had a significant unilateral advantage could only fuel adventurism. Thus, I support U.S. deployment of an improved land-based missile, as well as the Mark 12 warhead on existing Minuteman III missiles.

I also support efforts to develop a new and more survivable basing mode for our land-based ICBMs. But I do not believe that the formidable technical problems associated with the development of such a basing mode should delay proceeding with a new missile. With respect to the missile itself, I would have favored proceeding with a joint Air Force/Navy program to provide a missile for use either on the Trident submarine or on land, rather than with the Air Force-only MX program. But this is not the key point. The key point is to develop the missile as opposed to doing nothing.

The best way to reduce the cost and uncertainties associated with a mutual build-up of U.S. and Soviet land-based forces would be to negotiate a significant reduction in land-based MIRVs in SALT. Such a negotiation should be in the Soviet's own interest, since the emerging vulnerability of land-based ICBMs has a much greater effect on the Soviet Union than it does on the United States. The Soviets have invested much more heavily in these systems. They have placed roughly 75 percent of their strategic nuclear capability in land-based ICBMs, as compared to only about 25 percent for the United States. Thus, unless the United States unilaterally abandons the ability to attack these Soviet military targets, a step which I would strongly oppose, the Soviets should be willing to negotiate mutual reductions in land-based MIRVed forces in SALT III.

With respect to the SALT II treaty you are now considering, I know of no way it harms the ability of the United States to modernize its land-based ICBM force. But the treaty does help our military situation in several ways. The sub-limit of 820 on MIRVed land-based ICBMs eliminates the worst-case threats against which force planners would otherwise have to prepare. Furthermore, the limits on numbers of re-entry vehicles a missile can carry will considerably reduce the cost and technical difficulty associated with deploying a survivable multiple aim point land-based system, assuming these limits are carried forward into future SALT agreements.

In summary, the SALT II treaty helps us with some of the military problems we face related to our land-based missiles and, to my knowledge, it makes none of our problems more difficult. We should keep our land-based ICBMs, and they should be modernized. Finally, if we take reasonable steps to deploy a new survivable land-based ICBM, we should be able to improve the stability of the strategic balance, increase the military options available to an American president, and provide a strong incentive to the Soviet Union to negotiate more stringent limits in future agreements.

DR. MICHAEL M. MAY'S TESTIMONY

The question I will address in this testimony is how to retain a deterrent force under SALT. The most urgent part of that question is what to do about the anticipated vulnerability of the U.S. ICBM missiles and that is what I will mainly talk about, but the ICBM question cannot be resolved without considering the entire deterrent force and some of its problems.

I believe there is general agreement that a deterrent force is supposed to deter nuclear attack on the U.S. and its allies; such drastic aggression as might not be settled without nuclear war; and nuclear coercion. The size and makeup of the force that will do those jobs have long been subjects of debate, but it is clear that the force must be in being before the crisis occurs and

that it must be able in fact and appearance to survive an attack and the utilizable afterwards.

Right now, the U.S. force that would survive and be utilizable after a full-scale surprise Soviet attack on it, that is, the alert, survivable and reliable fraction of the U.S. force, consists of between 3,000 and 4,000 nuclear weapons of various yields. Measures of the utility of the various yields can be arrived at in several ways, depending on effectiveness, of something over 1,000 equivalent megatons.

That is a lot of yield, even though it may be only 1/5 to 1/10 of the Soviet first strike equivalent megatons. It is probably enough to destroy most but not all of the known Soviet military force: air and naval bases, including submarines in port and planes on the ground; major army installations; major supply and communication centers; some but not all hard nuclear sites; the most essential war industries. It is enough also to provide for a reserve of weapons that would not be used at once, but that could destroy Soviet cities and economic capability, and would serve to prevent our being left disarmed against Soviet reserves.

I believe the threat of prompt and assured military defeat rather than some undefined and probably unusable threat of holocaust is the best deterrent. While the alert, reliable, survivable force we have now does not guarantee that we can promptly and assuredly cause the Soviet Union a military defeat, its use (assuming the worst, an attack on the U.S.) would make the further prosecution of the war by the Soviet Union very difficult and would almost surely give us enough time to prevent their terminating the war on their terms.

Right now, the U.S. ICBM force provides about 50% of this alert, reliable, survivable force. The rest is provided by bombers on alert status—that is, ready to take off within a few minutes—and submarines in operational zones. We have more forces which are not on alert and which would be quite vulnerable to a surprise Soviet attack. To the extent that we have indications of Soviet intent to attack—for instance, through political tension, or evacuation, or increased alertness of their strategic forces—we can put more of our bombers and submarines on alert, for a time that is limited by crew and equipment availability.

The ICBM's not only provide about 50% of the alert survivable force, they are also qualitatively-different from the bombers and submarines. They have less need of warning than bombers and no need to penetrate enemy defenses; they have different and probably better communication links than submarines; they must be attacked with different weapons than either bombers or submarines. As has been repeatedly emphasized, the three elements together—ICBM's, bombers and submarines—are more difficult to attack than any one or two of them, and are more flexible in their response.

The reason for the concern about ICBM's, is the forecast that by the mid-eighties the U.S. ICBM force could largely be destroyed by a Soviet attack. With it would go about 50% of our alert, reliable, survivable force as well as the qualitative advantages noted above, while the proportional cost to the Soviet forces would be far less. The Soviet Union would therefore benefit in a military sense from an attack on these forces. The value of this potential benefit in day to day politics, or in crises, or in war, given the risks that attend an attack, can and has been debated at length. I can add little to the debate, except to say that having about 50% of our bottom line deterrent subject to destruction by a first strike is not a satisfactory outcome for years of technological development, investment and SALT negotiations.

It is possible, of course, to plan on launching the ICBM force on warning of an attack, before the attacking weapons actually explode. There would be very little time for the President to decide whether to do that. Furthermore, no warning network is 100% reliable. It would be preferable to devise a new system that could replace the present Minuteman ICBM system and retain its major advantages. Unfortunately, that task has proven to be very difficult, largely because of the size and accuracy of the possible Soviet attack.

There are only four ways to protect missiles, on land or anywhere else: to harden them, to defend them, to keep them moving and to hide them. Hardening, given anticipated Soviet accuracies and yields, requires going so deep underground that the missiles could not be launched for days, perhaps weeks after an attack. Active defense is under study but no sufficiently reliable system has emerged from the studies to warrant going beyond R&D. In addition, active defense is banned by the ABM Treaty as it now stands. Keeping the missiles continually on the move, on planes or trucks for instance, is extremely expensive and has weaknesses of a security, safety and environmental nature. Moving them only after receiving warning would lose the present advantage of ICBM's, that they do not require warning.

That leaves hiding, that is, some mode of deception. Deception in one form or another is the essential element in providing survivability for the ICBM systems being considered today. It is not entirely satisfactory. It raises difficulties in connection with SALT verification and with security maintenance. But so far no one has come up with anything else that better meets all the requirements and constraints.

Deceptive land basing for ICBM has a relatively long history of studies, reaching back to the 1960's. Most variations and most arguments have been considered several times by several groups of people. The latest version, the so-called MX race track concept, is a relative newcomer. It has been described to this Committee. It is more expensive and more complex (and in my judgment, less certain to operate properly) than other alternatives. Perhaps most important, it would take a long time to deploy, too long to be in time to meet the Soviet threat to Minuteman. It has these defects because, even though it is a mobile system in which deception must be maintained, it is being designed to follow SALT verification precedents which require that the ICBM launchers be counted at the site of the deployment. I believe that this approach to verification, which applied to fixed launchers under SALT I and will apply to them under SALT II, does not provide the right model for verification of deceptive mobile systems.

A quicker, cheaper and more flexible way to preserve the survivability of the U.S. ICBM force (at least of half of it), in my opinion, would be to redeploy the present Minuteman missiles, with some modification, using the present Minuteman bases and public roadways and some 10,000 places (shelters, garages, and others) in which the missiles could be hidden. Such deployment, if pursued with some urgency, should shave about four years and 15 billion dollars from the proposed MX race track deployment. It would also be a relatively flexible way to go. For instance, the number of hiding places could be expanded if needed as a hedge against a greater Soviet RV deployment than we are expecting. The design and spacing of the hiding places could be altered as the system is designed and deployed and we learn more about it, and more than one design could be tried out. Political and legal difficulties connected with buying land and putting out environmental impact statements in areas where Minuteman is not now deployed might perhaps be largely avoided.

Whether Minuteman or MX is used as the missile, if ICBM's are to be deployed in a deceptive mode, their number should not be verified at the sites of their deployment. Maintaining deception, whether on land or elsewhere, is always difficult and one can never be 100 percent certain that adequate security has been provided. Attempting to introduce cooperative verification measures so that the number of ICBM launchers can be verified at or near the area of deceptive deployment makes the maintenance of security even more difficult and uncertain. I have participated in these attempts over the last two years and I do not believe they have led to a successful result. Not only is the resulting system itself less than satisfactory, but there is no guarantee that the Soviet Union would, if it wished to base its ICBM's deceptively at some time in the future, follow a U.S. precedent that leads to a cumbersome, expensive and possibly insecure system.

A better approach to verification, it seems to me, would be to verify the number of mobile and deceptively based ICBM's in a way generally similar to what is used to verify the number of the other mobile and deceptively based systems controlled under SALT, namely, bombers and submarines. These numbers are verified in part by counting at or near the production sites, together with collateral information.

If we merely redeploy Minuteman, as suggested above, such an approach to verification would pose the Soviet Union no problem. The Soviets know how many Minuteman ICBM's we have, to good enough accuracy for all strategic purposes, and they also know that the Minuteman production line is closed. We could offer on-site inspection to make the verification surer. Thus there is no conflict between our meeting, in a timely and effective way, the problem which the Soviet Union has caused us in making our ICBM's vulnerable, and the Soviet Union maintaining an adequate knowledge of our forces such as may be needed for a continued and successful SALT process.

If we decide to get MX missiles instead of keeping Minuteman missiles, or if at some time in the future the Soviet Union decides to base its own ICBM's deceptively (which they have little incentive to do since our forces do not pose a serious first strike threat) we will need some SALT provision under which verification of the numbers of these new missiles could be arranged. To meet that contingency, the U.S. could propose that deceptive basing be allowed, for ICBM's as for planes and submarines, when and only when the number of units produced (and destroyed) can be verified with adequate accuracy. Adequate accuracy need not mean 100 percent accuracy, for ICBM's, but accuracy adequate for strategic purposes, say, for the sake of example, within 20 percent. The party doing the verification would have to be satisfied, so that either on-site inspection or perhaps a less intrusive cooperative method is likely to be needed.

If the Soviet Union accepts this proposal, we would have better arms control. We would be limiting and verifying missiles rather than launchers, which is to say, we would be coming closer to limiting and verifying actual weapons.

If the Soviet Union does not accept, I think we should proceed with our rebasing of ICBM's anyway. In a situation where 50 percent of our deterrent force is at stake, we should put timely and effective preservation of that force first and immediate progress at SALT second. In the longer run, the SALT process itself will be healthier if it is not allowed to lead to an increased advantage of first strike forces over deterrent forces.

I believe, in addition, that the Soviet Union would eventually accept this approach to the ICBM rebasing problem. They have on other occasions accepted the U.S. approach where U.S. systems which we considered vital to our security were at stake, for instance in the case of the forward based systems and the strategic cruise missiles. We have accepted Soviet approaches where Soviet systems which they considered vital were at stake, as in the case of heavy missiles and of Backfire bombers. The Soviet Union stands to lose nothing by accepting the proposal outlined above, except the chance to cost us time and money. Their present programs are not affected. They could continue to emplace large missiles into silos under presently agreed provisions, which is what they seem most interested in doing.

Even if the Soviets never accept the proposal outlined here, we will be no worse off than we are now. We do not know now how many ICBM's they have. We rely on approximate intelligence estimates to plan a survivable force. None of this would be changed by their refusing to abide by verification constraints which we would consider adequate on their future deceptive or mobile ICBM rebasing. The only significant strategic change would be that we would be able to pursue an effective course in dealing with the problem of vulnerability of our ICBM's.

The proposal to verify production and destruction of mobile and deceptively based launchers of such ICBM's at the deployment ICBM's rather than attempt to count launchers of such ICBM's at the deployment site could be introduced as a replacement for the Protocol. The Protocol as it stands now does not make satisfactory provision for survivable land based systems. It merely delays testing and deployment of mobile systems, whereas less vulnerable basing, of which deceptive basing is an instance, should be encouraged, not discouraged, by SALT.

Rebasing Minuteman would serve to maintain our deterrent forces in the mid-eighties and for some time beyond. It is far from the last thing that needs to be done, however, all existing strategic systems will wear out. In addition, the technologies for survival, for verification, for attack and defense, will continue to change regardless of agreements. Such technologies are closely tied to civilian technologies and cannot be frozen.

Thus, we should not lock ourselves into systems the major features of which are dictated by the perceived need to adhere to verification standards that were never designed to cope with the present technological and strategic dilemmas. The SALT process should instead evolve in such a way as to permit the timely maintenance of assured and not too costly deterrent forces. The present SALT II Treaty seems adequate from this point of view for the period during which it will be in force, except that I believe it needs a change as outlined in order to deal appropriately with the dangers to U.S. ICBM's which we see coming.

STATEMENT OF PAUL H. NITZE

Assessment of deterrence depends significantly on our day-to-day alert forces. Our day-to-day alert forces must have adequate survivability in the face of any attack which might be made against them. The surviving forces must be appropriate for their mission, responsive to command and control, able to penetrate defenses intended to blunt their effectiveness, and capable of putting out of action the targets that must be eliminated if we are to pursue a rational strategy were war to come.

In addition to these straightforward considerations, insurance against unforeseen vulnerabilities can be provided by utilizing a diversity of forces.

The objective of diversity is to distribute our deterrent capability through different forces having a variety of survival modes, defense penetration techniques, and attack characteristics so that no single breakthrough by an opponent either in destroying our forces before launch, or in defense against our surviving and counter-attacking forces, would significantly reduce our second strike and reserve capability. Moreover, such variety would also lessen the vulnerability of our forces to a single force-wide weakness.

A minimal approach to diversity is a triad of forces providing two different survival modes and two different penetration modes for (a) time-urgent hard and soft targets, (b) non-time-urgent hard and soft targets, and (c) targets enduring more than a day. Both survivability and confidence in the ability of the force to penetrate should be considered when matching specific systems to target classes, as shown in Table 1 on the next page.

Table 1 divides targets into three classes; time-urgent, non-time-urgent, and enduring, and each of these into hard and soft.

You will note that only our SLBMs can now be expected to have a capability to endure more than one day, and they have little capability against hard targets.

TABLE 1.—STRATEGIC FORCE EMPLOYMENT, SURVIVAL, AND PENETRATION CHARACTERISTICS

	Appropriate target class							
	Time-urgent (within 15 to 40 min)		Non-time-urgent (within 6 to 12 hr)		Enduring (within 1 to 30 days)			
	Hard	Soft	Hard	Soft	Hard	Soft	Survival mode	Penetration mode
CBM's	Yes	Yes	(1)	(2)	(1)	(1)	Hardened and dispersed	Hypersonic reentry, low radar crosssection, chaff and decoys masking real versus false targets, ABM treaty limitation on ABM defenses.
SLBM's	(3)	Yes	(3)	Yes	(3)	Yes	Concealed mobile	Hypersonic reentry, high arrival rates.
Bombers with ALCM's	No	No	Yes	Yes	No	No	Takeoff on warning but vulnerable if not promptly used.	Low altitude flight, reactive defensive avionics, and variety in penetration and defense suppression modes. (SRAM's, ALCM's, etc.)

[1] Only if deployed in an MVPS or effective mobile (Racetrack?).
[2] Only if deployed in either an MVPS or effective ground or air mobile mode.
[3] Only if SLBM's are provided with RV's with a combination of higher yield and greater accuracy

You will also note that it is only the ICBMs that have a significant capability against time-urgent hard targets.

Our bomber cruise missile capability is limited to non-time-urgent targets. Few, if any, of our heavy bombers are expected to endure more than a day or so. They must be used within the first few hours. Those that disperse or return suffer grave danger of destruction on their bases.

To achieve the capabilities to fight a war, and thus to deter one, we must both give our SLBMs a greater hard target kill capability and give our ICBMs the ability not only to survive for an immediate launch but to endure for more than a day.

The ICBM force has played a dominant role in determining the military capability of our strategic forces.

The central issue that must be considered is what to do about our ICBM force to restore the declining credibility of that leg of our deterrent. Some of the alternatives are as follows:

a. Accept the intrinsic vulnerability of our fixed silo-based missiles and count on only a small residual ICBM force surviving an attack, thus essentially being driven to acceptance of a dyad.

b. As in (a), accept the vulnerability of our ICBM silos but deploy a larger missile in the silos to increase the power of those few ICBMs which might survive.

c. Adopt a launch-under-attack policy and perfect such a capability.

d. Provide dedicated ICBM silo defenses.

e. Re-base our ICBMs in a mode which maintains adequate ICBM survivability and endurance, and thus satisfies our crisis stability and sufficiency requirements.

Alternative (a) results in a dyad and eventually a monad. A survivable and enduring U.S. counterforce-capable ICBM system is required to ensure a diverse enduring retaliatory capability against all types of targets. A dyad will not meet that requirement.

Deployment of a larger missile in the MINUTEMAN silos, alternative (b), does nothing to solve the silo vulnerability problem and in addition has the negative feature of a threatening, but vulnerable, U.S. first-strike counterforce capability. Accordingly, it would increase crisis instability and the prospect that deterrence would fail.

Alternate (c), launch-under-attack, refers to launching a threatened force once unequivocal assessment is received that an attack on that force is in progress, and before the attack reaches a point where it prevents a launch. It requires highly reliable command, control, and communication systems and extremely rapid decision-making. The decision time projected to be available varies, from about 3 minutes in complex scenarios utilizing SLBM attacks on communication modes and pindown of MINUTEMAN, to about 15 to 20 minutes in a straightforward ICBM attack on MINUTEMAN. However, an important issue surrounding the launch-under-attack option is "launch what against what Soviet targets—upon what degree of evidence that an attack of what size is underway against what U.S. targets?" Extremely difficult considerations are involved in answering those complex questions. Should the President be asked to resolve them in the few minutes which may be available to him, or should the answers be preprogrammed into a computer? Neither alternative is without immense dangers.

Alternative (d), that dedicated ICBM silo defenses be deployed as a solution to our current and future silo vulnerability problem, would require Soviet agreement to modify the ABM Treaty so as to allow for the eventual deployment of dedicated defenses.

Dedicated ICBM defenses can be of significant benefit when used as an overlay to an already reasonably survivable ICBM system. Against a maximum threat, it would be possible to complicate any Soviet attack with

a preferential ABM defense of missiles deployed in an effective dispersed deceptive basing mode.

A number of alternate basing concepts, alternative (e), have been proposed which enhance ICBM survivability through a multiple vertical protective structure system (MVPS);[1] air mobility, other forms of MAP employing transporter/erector/launchers (including the Racetrack system) or by other deceptive actions. As stated in General Allen's letter of December 29, 1978, over the last ten years about 30 alternate basing modes have been investigated in detail; and after extensive reviews and evaluations, the MVPS system was found to be the best technical solution that retains the unique, positive characteristics of the ICBM force. The Racetrack system may, or may not, be comparably effective but will certainly be more expensive.

Purely mobile concepts tend to rely on strategic and/or tactical warning both to enhance survivability and to reduce operating costs. Air mobility has much the same survival and durability vulnerabilities characteristic of the bomber force and therefore does not contribute significantly to force diversity. Pure land mobiles are dependent on warning, and are vulnerable to an area Soviet barrage attack.

Since the MVPS ICBM deployment concept achieves survivability through uncertainty in location, its deployment may raise questions concerning verification. In assessing this problem it should be emphasized that the advantages the MVPS basing offers in increasing survivability and thus enhancing stability and deterrence, and thus reducing the risk of war, far outweigh the strategic significance of uncertainty in verification. It should also be noted that *all* alternate basing concepts currently under consideration raise some verification issues, but that cooperative methods can reduce Soviet verification uncertainty to very low levels.

Two additional points should be made. It is wholly feasible for the U.S. to give the USSR high confidence that we are not deploying more than one canister containing a missile per MVPS launch complex. If the Soviet Union wished to give us similar high confidence, if they developed an MVPS system, they also could do so. If they wish to deny us verifiability of the number of ICBMs they deploy, they can do so, whether they deploy an MVPS or not. It is unlikely they would wish to deploy a mirror image of our Racetrack system.

It is reported that as a part of the current SALT II deliberations two demarches were made by the U.S. side to the Soviets stating that we interpret the SALT II provisions to permit the deployment of an MPS system after the expiration of the Protocol.

The demarches referred not to multiple silos but to hardened launch points (which, as phrased, could include not only vertical structures but also horizontal structures). The Soviet side focused on the distinction between vertical structure deployments and horizontal structures protecting mobile transporter/erector launchers. They unambiguously stated that a vertical deployment mode would involve additional fixed ICBM launchers which are prohibited by the Treaty They also implied, however, that the horizontal shelter deployment mode, if associated with transporter/erector/launchers (TELs), might be considered to be a mobile system permissible after expiration of the Protocol but requiring that each TEL be counted under the ceilings on numbers of ICBM launchers. The new proposed Racetrack system appears to satisfy the Soviet position on the requirements for a permitted mobile system.

[1] A multiple protective structure (MPS) system employing vertical structures.

The Soviets might or might not respond to a U.S. deployment of an MVPS or Racetrack system. It would be feasible, by the late 1980s or the 1990s, for the Soviets, in the absence of SALT, to deploy more highly fractionated payloads with up to about 20 to 30 RVs per SS-19-type missile, and up to about 30 to 40 RVs per SS-18-type missile. These RVs would have to have smaller weight and thus yield, and therefore would have to have improved accuracy to maintain the same single shot kill capability. There would be severe technical problems involving accuracy and reliability, and financial and availability of fissionable material considerations could arise. But it is not certain that such considerations would preclude such a Soviet response.

SALT II limitations cannot be helpful unless continued beyond 1985 in SALT III. The currently agreed SALT II provisions include a maximum fractionation limit of 10 RVs per ICBM and 14 RVs per SLBM. The number of RVs in the overt threat is therefore limited under SALT II but only until 1985. The earliest deployment of the MX will be after 1985.

However, even if the Soviets developed and deployed highly accurate, high fractionation RVs, and even if they covertly deployed additional missiles, an MVPS or Racetrack system would exact a very high price for each U.S. missile destroyed. An MVPS or Racetrack system would restore the stable pre-1978 situation in which an attacker could not expect to destroy, in an initial attack, as many missiles as he expended in that attack. The incremental cost of adding additional shelters and thus aim points would be much less under the MVPS system than under the Racetrack system.

Modernization of U.S. strategic nuclear forces with emphasis on survivability and endurance together with careful attention to the roles assigned to each part of the force structure should greatly diminish the likelihood of any rational Soviet decision to attack these forces or, directly or indirectly, to threaten such an attack. It would also provide the best hope for survival should any such attack, intended or resulting from an unintended chain of events, occur. In the longer run, it should also make equitable and constructive arms control more feasible and more likely.

STATEMENT BY HON. WILLIAM J. PERRY

[Figures mentioned in the text not printed in the RECORD.]

Mr. Chairman and Members of the Committee:

I am pleased to testify before you today on MX and our planned program of Strategic Force Modernization.

The testimony is divided into three parts. First is an overview of our Strategic Force Modernization Program. Next, the major portion of my testimony will address the MX program—missile and survivable basing system—which the President has recently approved. Finally, I will review the impact of our planned modernization program on arms control.

STRATEGIC FORCE MODERNIZATION

The primary objective of our strategic forces is to deter nuclear war. The present TRIAD of strategic forces has been successful in achieving this objective since the 1960s. This TRIAD of forces includes:

(1) ICBMs—more than 1,000 Minuteman and Titan II launch vehicles with a total of more than 2,000 warheads;

(2) SLBMs—more than 600 Polaris and Poseidon launch vehicles with nearly 5,000 total warheads; and

(3) Heavy Bombers—more than 300 B-52s with a total of more than 2,000 warheads.

In aggregate we have more than 9,000 warheads, comprising a powerful deterrent force. Given the size and strength of this force, some have questioned the need for modernization. While it is true that the present balance is adequate in terms of our objectives of deterrence and equivalence, we face challenges for the future that we cannot ignore. Indeed, while the strategic balance through 1985 will continue to be adequate, it will be less favorable to us in the early 1980s than it is now. That is true with or without a SALT II agreement.

The first challenge is the obsolescence of our own strategic forces. We need to modernize, improve, and in some cases replace these strategic forces in order to maintain a responsive and reliable deterrent, and we will need to do so regardless of the status of SALT.

The second challenge we face is the growing vulnerability of our ICBM force. By the early 1980s the Soviets will have the combination of guidance accuracy and warhead numbers that will give their ICBMs the theoretical capability to destroy most of our Minuteman force in a preemptive attack. Fortunately, the future vulnerability of the Minuteman force does not imply the concurrent vulnerability of the United States. We can afford some temporary degradation in the ICBM force because our overall strategic capability will remain strong. The other two legs of the strategic Triad are not now threatened in the same way as our ICBMs. But we have decided to build up the leg of the Triad that is temporarily weak so that should other parts of our strategic forces become more vulnerable at some later time, our overall strategic deterrent will not be eroded.

A third challenge is the possibility of longer term threats to our bombers and missile-carrying submarines. Under some circumstances Soviet SLBMs could pose a significant counterforce threat to our bombers, by barrage attack on our present SAC bases. There is also the potential of our bombers being destroyed with an ICBM barrage attack. The larger number of ICBM RVs (relative to SLBM RVs) could compensate for the longer time available for bomber escape, so that even though the bombers get off the ground, they may not escape the area that is barraged. Our air-breathing force will also have to deal with the growing Soviet air defense threat posed by look-down, shoot-down interceptors and advanced surface-to-air missiles currently under development Well into the 1980s our bombers will be able to penetrate Soviet defenses—and our ALCMs indefinitely.

Fortunately, we are also quite confident that, through the 1980s—which is about as far as we can confidently predict—our SLBMs cannot be located by Soviet anti-submarine warfare forces sufficiently well for an ICBM barrage attack to be effective against them. But we are not so sure what ASW capabilities the Soviets may develop and deploy in the 1990s, so we cannot simply assume that our SLBM force will remain invulnerable indefinitely.

To meet these challenges, we have been working to find ways to restore the survivability of ICBMs, to maintain our SLBM survivability into future decades, and to strengthen the survivability of our air-breathing forces. We have programs in the works to do all of these things.

The most difficult issue to resolve has been the survivability of the land-based leg of the Triad; as I said earlier, this is the single most serious strategic problem we face at the present time.

We have sought a solution to this problem that will satisfy our military requirements and be consistent with our efforts to have verifiable strategic arms limitations. Because it is relevant to SALT II and important to the future viability of our strategic forces,

I would like to describe the MX and its basing system in some detail.

MX

In June the President approved full scale development of the MX missile. MX is the largest new missile permitted under SALT II. It will be 71 feet in length and 92 inches in diameter, weighing 190,000 lbs. With a throw-weight of 7,900 pounds, the MX can be loaded with 10 Mk-12A reentry vehicles. Assuming that SALT II constrains ICBMs to no more than 10 reentry vehicles, the MX will have a military capability equivalent to the SS-18, the largest Soviet ICBM.

Last week the President approved the mobile basing system for MX. This basing method evolved from previous designs of both the underground trench and surface horizontal shelters. The concept combines the most desirable features of these two approaches. Derived from the trench concept are system confinement and the associated benefits to verification; an integral transporter-erector-launcher (TEL) which makes it unambiguously clear that shelters are not launchers; and rapid force reposturing or dash on tactical warning. Derived from the horizontal shelter concepts are lower cost designs; reduced environmental impact; improved options for preservation of TEL location uncertainty; and, greater public acceptance in the states where the system will likely be deployed.

Each TEL is confined to operate on a loop type road network with shelters located on spurs as depicted in Figure 1. Figure 2 shows a sketch of the shelter concept. The shelters are hardened and have openable roofs for verification.

Figure 3 shows a sketch of the TEL concept and lists some of its characteristics. The complete TEL is parked in a shelter in the normal, peacetime operating mode. The missile can be launched from the TEL on the road—the shelter is not required for launch. When launching the missile from inside the shelters, the TEL mechanism pushes up through the shelter roof so there will be no problem of debris from a nearby nuclear burst blocking the door.

There are about 4,600 shelters deployed on 200 road loops. Each loop has 23 shelters, with only one TEL which carries one missile. Adjacent loops are not connected by roads capable of supporting TELs, and TELs cannot be moved from one loop to another without being disassembled and passed through the normal support process. The TELs are too heavy (about 700,000 pounds) and too cumbersome (about 180 feet long, 13 feet high and 13 feet wide) to operate off-road; they would sink into the surface, be trapped by small terrain variations, or tip over. Therefore, each TEL is confined to operate only within its 23 shelter loop; this aids verification.

The preferred deployment area is a series of valleys in the western desert area. About 100 valleys appear usable based and topologic and geologic considerations. The valleys are not very large and on the average only a few loops will be in a single valley. This natural clustering feature adds another level of confinement to the system by impeding transfer of equipment throughout the deployment area except through well defined, observable entry and exit points.

Further enhancement of system verifiability is built in by the operations and flow indicated in Figure 4. The missile, its canister and communications modules are assembled in the designated assembly area (DAA) in facilities that are open to the extent possible (e.g., openable-roof facilities). The assembly process is designed to take a significant time (about one week) and only one missile is in work at any time.

The missile, its launch-related equipment and TEL subassemblies are shipped at a slow pace to the designated deployment area (DAA) on a special railroad. A spur of the special track connects each valley to the mainline and there is a major barrier which must be removed before the flatcar can enter the valley. The barrier is designed to require a considerable time period to disassemble, keeping the overall process slow.

Once in the valley the flatcar delivers the equipment to a final assembly area (FAA), but first has to pass through another barrier station. This second barrier is of the same type as the first one, increasing confidence that the TEL could not move undetected among the road loops.

The TEL is put together in final, workable form in the FAA and is then mated with the missile and launch-related equipment. This step ensures that the TEL cannot exist in its final operational form anywhere but at its deployment site in the DDA. Verificaion is thereby enhanced. After assembly, the TEL is driven into the road loop.

SURVIVABILITY

Survivability of the system is based on two independent elements: preservation of location uncertainty and a high degree of mobility.

Location uncertainty is maintained by periodically moving the TEL from one shelter to another and by making it impossible for remote observers to determine whether what is being made is indeed the TEL. Since the movement of the TEL from shelter-to-shelter occurs on surface roads out in the open, a visibility shield is used to cover it. This shield, illustrated in Figure 5, is provided by a special vehicle which can move alone, or straddle and move in unison with the TEL when the TEL is moved. After the TEL is relocated in a new shelter, the shield vehicle visits all the other shelters and replicates the procedures associated with TEL entry into a shelter. Thus, the identification of the shelter into which the TEL was inserted is denied.

Under normal conditions, the missile would be moved to another shelter in its cluster when maintenance is required, or at least once every few months if no maintenance was needed. The crew schedule for movements would be established so that no crew would know where more than a very few missiles were located. The many observables associated with movement of a 700,000 pound TEL and a 190,000 pound missile need to be simulated or masked in the overall process. In-shelter and in-transit signatures (e.g., electromagnetic, acoustic, and thermal emissions) will be simulated by a combination of countermeasures placed in the shelter and carried by the vehicle.

Denial of the opportunity to measure many of the system's observables is accomplished by a combination of exclusion from the immediate vicinity of the shelter (as is currently the case with the Minuteman silo sites) and by sweeping the area to detect sensors or agent operations. Seismic effects, however, are long-range and might be measurable by remote sensors. If this proves to be a real concern, the seismic effects can be simulated by carrying mass simulators in the shield vehicle whenever it is moving without a TEL. The need for mass simulators is not yet firmly established, but we plan to retain the option to include mass simulators should the need be established. Actual deployment of mass simulators would add $1.4B (in FY 80$) to the cost.

Survivability of the system is provided by this basing arrangement in three different modes of operation. First, the system can be repostured in a short time; using normal practices a few hours is achievable. This operating practice might be useful if some concern about location uncertainly develops, or if an international crisis appears to be developing. Second, if the location uncertainty becomes in grave doubt then the system, or a portion of it, could be placed in constant motion; if tactical warning indicates an attack, he TELs could then drive into the nearest shelters. Third, as an alternative to constant motion, the TELs could be poised to dash on tactical warning to reposture some designated percentage of the force during the flight time of attacking ICBMs (it is not feasible to do this during close-in SLBM flight times, although dash to a few of the nearest neighboring shelters is possible here). The dash on warning mode sizes the TEL's locomotion capability and allows any one of the shelters on the loop to be reached in the 30 minute ICBM flight time.

We have analyzed the MX system in response to a variety of Soviet counterforce threats. The threats considered ranged from a moderate Soviet buildup constrained by SALT II to a high Soviet buildup assuming SALT II never goes into effect. In each case the number of MX missiles and shelters were adjusted so that when the Soviets had expended all of their ICBM RVs in one-on-one attacks on MX shelters (after first attacking Minuteman), we still have some ICBMs surviving. This approach takes away any Soviet incentive to attack our ICBM force using their ICBM force, since they degrade their relative position by undertaking such an attack.

For example, if they launch their entire ICBM force against ours they would be left, after the attack, with their SLBM and bomber forces facing our superior SLBM and bomber forces plus the remaining U.S. ICBMs that have survived the attack. Should they choose to hold some ICBMs in reserve, they will still lose (although a smaller amount) relative to their position before the attack.

In response to a moderate Soviet buildup constrained by SALT II, we estimate that the MX program would require 200 missiles and 4,600 shelters at a cost of $33 billion in constant FY dollars. In reaction to a high Soviet buildup assuming SALT II never goes into effect, the MX program would require 400 missiles and 13,500 shelters at a cost of $59 billion in constant FY 80 dollars.

Even for this most very severe threat excursion, the MX system can be expanded to meet the threat even if it had to take the entire ICBM threat by itself. In fact, it is inconceivable that we would not also attempt to deter such an enormous (and enormously costly) Soviet buildup—if it seemed to be materializing—by augmenting other legs of the triad. For example, we could increase our deployment of cruise missiles and C-4 SLBMs.

We would not have significant programmatic difficulty in expanding MX to meet these advanced threats. We can build shelters, for example, at a rate of 2000 per year, or even higher under emergency conditions.

In MX system configurations, missiles and shelters can be traded off within wide limits without major changes in cost or survivability. Thus, our response to a breakout could emphasize either missiles or shelters, depending on available production resources and policy considerations.

VERIFICATION

Verification of the system is accomplished on the basis of several general characteristics which have been noted earlier. These include:

(1) A designated assembly area (DAA) used for the equipment, with operations conducted as openly as is feasible to aid observations by National Technical Means (NTM).

(2) Special transport techniques used to move the equipment from the DAA to the designated deployment areas (DDA). The uniqueness of these transport techniques aids in identification and monitorability.

(3) A final assembly area, used at the entry of the DDA where the TEL assembly is completed and the missile is mated with the TEL. The TEL, therefore, only exists in the DDA.

(4) Barriers between the DAA and the

DDA. They require a significant time to disassemble in order to permit transit of equipment.

(5) Clustering of road loops in small groups in the valleys comprising the DDA. This makes transfer between groups impossible.

(6) No interconnection between road loops which would allow TEL transfer. Thus TELs cannot be transferred from loop-to-loop.

Openable roofs on the shelters permit viewing via NTM. The shelters would be opened periodically, (e.g., at major maintenance periods), and a specified number of openings would occur each year. Provisions for "on-demand" openings would also be made in order to handle ambiguous cases. The shelter roofs are opened by removing, by crane, a number of plugs built into the roof, as indicated in Figure 2.

We have made comprehensive assessments of the verifiability of the system. The results may be summarized as follows:

The Soviets can verify the proposed US system.

Soviet concern over US cheating should be negligible due to the availability of collateral information.

If employed by the Soviets, a system designed along the lines of MX would be verifiable by the US. We could monitor with high confidence the number of MX-type launchers the Soviets deployed in designated areas and would have high confidence that no such launchers were deployed elsewhere.

ENVIRONMENTAL AND PUBLIC ISSUES

The MX basing system involves "point security" practices. This means that only the land in the immediate vicinity of each of the shelters is withdrawn from public use. The area is about 2.5 acres per shelter—essentially the same as current Minuteman sites. Thus only about 25 square miles would be withdrawn from public use, including land for the assembly areas.

Every effort will be made to make MX energy self-sufficient. Each MX shelter may require 5–10 kw of power in steady-state operation, which results in several tens of megawatts of total power requirement. It appears feasible to power MX in peacetime by photo-voltaic solar systems emplaced at the shelters, along with some geothermal plants or windmills. This would avoid energy problems and also provide a pathfinder program for large scale production of commercially useful photo-voltaic systems. The size of the solar units would be in the range of interest for individual homes.

COSTS

The total DOD system costs for the current baseline concept are estimated in fiscal year 1980 dollars at $33 billion for acquisition and $440 million for annual operations and support. The costs include RDT&E for mass simulators in the shield vehicle and shelters. Actual deployment of the mass simulators would add about $1.4 billion to the acquisition costs and about $10 million to the annual operations and support costs.

The cost estimates have been carefully prepared, but with any complex system projected 10 years into the future there is bound to be uncertainty. "Improvements" will be resisted unless an overriding need can be demonstrated. However, there are some features which probably will ultimately be added to the system (e.g., mass simulators). Implementation of these improvements will be deferred until their need actually arises, though low-cost provisions will be made for them. Costs will also be influenced should the Soviets increase their ICBM threat beyond our estimates, especially in the absence or termination of SALT II. In that case we would expand the MX system in response and that would, of course, increase the cost (but by less than the soviet threat augmentation would cost them).

Incremental costs to expand the system are roughly $2.6 million per shelter against a proliferated Soviet missile threat and $2.0 million per shelter against a Soviet threat based on fractionation of the current missile inventory. These costs are slightly less than our acquisition cost per RV. While we do not know what Soviet RV costs are, we have no reason to believe them to be substantially different from our own. Thus there would be no advantage to the Soviets in pursuing an RV vs shelter race, considering that they would be investing in RVs based in vulnerable silos and obtaining no cost advantage in the process.

This is an expensive system, like all other major strategic systems we have built. In fiscal year 1980 dollars the Minuteman ICBM program cost $40B, the B-52 program cost $54B (not including the supporting tanker force and ALCM), and the Trident program will cost about $39B (assuming 25 submarines and 600 C-4 missiles). Annual operating costs of MX will be comparable to Minuteman, and about one-third those of the SLBM force or bomber force.

IMPACT OF STRATEGIC MODERNIZATION PROGRAM ON SALT

I have described for you today the strategic force modernization programs which the Administration has planned for the years ahead. These efforts have become an important issue in the debate over SALT II. In my view this is an entirely proper extension of the SALT debate. The value of SALT II cannot be determined in isolation; the treaty must be judged in terms of its effect on US-Soviet relations and on the overall defense posture of the United States.

As Secretary Brown has said repeatedly, SALT II by itself is not sufficient to ensure the strategic balance between the United States and Soviet Union. But it does permit us to take the steps necessary to maintain the strategic balance and it makes that task easier by putting important limitations on Soviet strategic forces.

With or without SALT we will need to modernize our strategic forces. During the lifetime of SALT II we will continue deployment of the Trident submarine and missile, we will begin to deploy ALCMs which will dramatically improve the capability of our bomber forces, and we will move toward 10C of MX in a survivable and verifiable basing mode. These programs are necessary because SALT will not solve all of our strategic problems, but SALT II will make the resolution of those problems easier than would be the case without an agreement.

The need for greater defense efforts has led some to ask whether SALT is really worth the effort, whether in fact it is arms control at all. My own view is that SALT II will make a valid and significant contribution to U.S. national security if it is combined with a vigorous program of strategic force improvements.

It is important to understand that strategic arms control and force modernization are not inconsistent undertakings. They are complementary ways of maintaining a stable nuclear balance between the United States and the Soviet Union. By modernizing and improving our strategic forces we can ensure that we are capable of meeting our defense objectives despite the continued Soviet buildup. By negotiating an equitable and verifiable SALT agreement we can constrain Soviet forces and limit the threat to which we must respond.

We must also understand that arms control cannot substitute for strategic force modernization. We need to pursue both courses of action, and this Administration is committed to doing so.

Arms control and force modernization are mutually supportive:

Arms control helps modernization: by limiting the Soviet threat, and by adding predictability to the Soviet force buildup we are able to respond more prudently and more efficiently in designing our own forces. Specific example: the SALT II limit on RVs per missile will make MX more survivable and less expensive.

Modernization helps arms control: by keeping our forces strong, secure, and survivable, we can negotiate with gerater confidence. This will also provide our adversaries with a greater incentive to negotiate.

The June decision on the MX missile was criticized by some on grounds that it would give the US a destabilizing first-strike capability, suggesting that we instead rely on smaller missiles such as Minuteman. This issue, of course, is not affected by the decision on the basing mode. The MX missile will be capable of attacking Soviet silos in the late 80's. In sufficient numbers it could give us effectively the same capability against silos that the Soviets will have in the early 80's. In the mid 1980's the ALCM will provide us with a capability (although not prompt) of the same sort, and SLBMs at some future date will probably achieve a counter-silo accuracy.

But in none of those cases, for ourselves or for the Soviets, will this amount to a disarming first-strike capability, since the very formidable at-sea SLBM forces of both countries (and the bomber/cruise missile force) will not be affected by an attack on silos. The primary advantage to the US of having the same counter-silo capability as the Soviets, besides the obvious perception reasons, is that by giving the Soviets the same problem that they gave us, we motivate them to go to smaller, mobile survivable ICBMs as did we. Smaller missiles are less threatening to the US, and stability will actually be enhanced if both sides move to survivable and verifiable ICBM basing.

In summary, MX is consistent with our arms control objectives for the following reasons:

(1) It restores confidence in the one vulnerable leg of Triad,

(2) It reduces the need to consider LUA as a policy option,

(3) It discourages the Soviets from preemptive attack (and encourages them to move to smaller, less threatening mobile ICBMs or to SLBMs).

STATEMENT OF AMBASSADOR RALPH EARLE II

The U.S. MX ICBM program is consistent with the SALT II agreement signed by the President in Vienna on June 18. Indeed, ensuring this consistency was one of our goals in negotiating the agreement with the Soviets.

Let me first review briefly with you the specific provisions in the agreement which are most pertinent to the MX ICBM.

Article II, Paragraph 1: The ICBM launcher definition includes mobile ICBM launchers. The Second Agreed Statement thereto provides explicitly that mobile ICBM launchers shall be counted in the aggregate after the termination of the Protocol.

Article IV, Paragraph 9: The ICBM "new types" limitation permits each Party to have one new type of light ICBM, thus permitting the U.S. MX ICBM.

Article IV, Paragraph 11: The one new type of light ICBM for each Party is permitted to have up to ten reentry vehicles. This will accommodate the U.S. plans for MX.

Article XV, Paragraph 3: This provision bans deliberate concealment measures which impede verification of compliance with the provisions of the Treaty. The mobile basing mode of the U.S. MX ICBM is being designed so that it will not violate the prohibition on deliberate concealment measures.

MX will be adequately verifiable by national technical means.

Article I of the Protocol: The Protocol ban on deploying mobile ICBM launchers and on flight-testing ICBMs from such launchers will run out at the end of 1981 when the Protocol terminates. In view of the MX schedule, these prohibitions will not affect the MX program. In addition, let me note that even during the period of the Protocol, the U.S. will be permitted (1) to test a mobile ICBM launcher short of flight testing the missile from the launcher, and (2) to flight-test MX ICBMs from fixed launchers. (However, the MX is currently scheduled to begin flight testing in 1983.)

As you know, last Friday the President announced his approval of the mobile basing plans for the MX missile, which Dr. Perry has just described. The U.S. has designed this system so that it will be adequately verifiable under the SALT II agreement.

The assembly of MX missiles, launchers, and transporters will be done in the open to the extent feasible.

Special transport techniques will be used to move each launcher and missile to the deployment area. This unique system, together with barriers between the deployment area and the assembly area, will provide confidence that only one launcher is deployed on each "loop road."

The "loop roads" will not be connected, so launchers cannot transfer from one to another.

The shelters at each "loop road" can be uncovered periodically. Thus, the Soviets will be able to verify that there is only one MX launcher on each oval "loop road."

It is important to note that paragraph 3 of Article XV of the Treaty does not prohibit deliberate concealment in general, but only deliberate concealment measures which impede verification of compliance with the provisions of the Treaty. The Treaty does not require that the sides know exactly where every strategic system is at every given moment. Rather, the Treaty sets numerical limits on strategic systems. Verifying compliance with such numerical limits requires counting the number of launchers deployed. This is already clear in the case of SLBM launchers on submarines. The submarines spend months at naval bases, which service as verification "choke points," initially for fitting out and later between patrols and for overhauling. This permits the U.S. to count the number of Soviet SLBM launchers with high confidence. However, the submarines deliberately conceal themselves while on patrol, but since this does not impede verification of compliance with the agreement, it is legal under SALT. The mobile basing mode of the U.S. MX ICBM system has been designed in an analogous fashion, and will be adequately verifiable under the SALT II agreement.

Should the Soviets decide to deploy a mobile ICBM force in the future, the United States will insist on the same high standard of verifiability.

Let me now turn to the discussions which the United States has had with the Soviets on this multiple protective structure (MPS) basing mode for the MX ICBM under the provisions of the SALT II agreement. This matter was raised by the Soviet Delegation in Geneva in the summer of 1978 when, referring to newspaper reports regarding a vertical MPS basing mode, they stated that it appeared that such a deployment would violate the ban on construction of new fixed ICBM silo launchers (in Article VII) and the ban on deliberate concealment measures. The United States Delegation replied that no decision had been made regarding a basing mode, but that whatever mode the United States adopted would be one that violated neither of the provisions cited by the Soviets. We further stated that the draft agreement expressly provided for the deployment, after Protocol expiration, of an ICBM system in which missiles and their launchers are moved from point to point. The subject matter was not addressed again by the Delegations. This issue was discussed on several occasions through diplomatic channels along the same lines. In particular, the United States has made clear to the Soviets that the various mobile ICBM systems we have considered, including ones in which the launch point would itself be hardened, are permitted during the post-Protocol period.

Prior to the Vienna Summit, the United States publicly announced that it intends to proceed with the MX system and described the various MPS basing modes under consideration. At Vienna the Soviets complained about the introduction of a new powerful missile and questioned the verifiability of its deployment. The President noted that the Soviets had already deployed missiles comparable in power to the MX and he assured them that the basing mode would be verifiable. Thereafter President Brezhnev signed the Treaty and the Protocol.

Let me add the following. The United States does not accept the Soviet argument (raised in the context of vertical shelters) that the MPS approach would involve construction of additional fixed ICBM launchers; the shelters in an MPS system are not ICBM launchers. These shelters could not launch an ICBM; rather they provide blast protection to the mobile launchers themselves. On the other hand, the mobile launchers may launch a missile whether or not they are in fact located in one of the shelters. MPS is a mobile system because the launchers, which contain the equipment required to launch the missile, would be moved together with the missile periodically from one shelter to another.

ORDER FOR THE SENATE TO PROCEED TO THE CONSIDERATION OF S. 480 TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that upon the final disposition of the conference report tomorrow the Senate proceed to the consideration of Calendar Order No. 172, S. 480, a bill amending the Water Resources Planning Act to authorize appropriations for fiscal years 1980 and 1981.

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

ORDER FOR RECOGNITION OF SENATOR JAVITS TOMORROW

Mr. ROBERT C. BYRD. Mr. President, are there orders for the recognition of Senators on tomorrow?

THE PRESIDING OFFICER. There are none.

Mr. ROBERT C. BYRD. I thank the Chair. Mr. President, I ask unanimous consent that after the two leaders have been recognized under the standing order on tomorrow, the Senator from New York (Mr. JAVITS) be recognized for not to exceed 15 minutes.

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

ORDER FOR RECESS UNTIL 12:15 P.M. TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in recess until the hour of 12:15 p.m. tomorrow.

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

RESUMPTION OF THE UNFINISHED BUSINESS TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that at the hour of 12:45 p.m. tomorrow, the Senate resume the consideration of the conference report on the Panama Canal implementing legislation, and that the time thereon until the hour of 1:15 p.m. be equally divided between the Senator from Michigan (Mr. LEVIN) and the Senator from South Carolina (Mr. THURMOND).

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

LIMITATION ON TIME FOR RECOGNITION OF THE LEADERSHIP TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the time of the two leaders on tomorrow be reduced to 10 minutes, to be equally divided.

Mr. BAKER. Ten minutes divided?

Mr. ROBERT C. BYRD. Yes.

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

CONSIDERATION OF WATER RESOURCES LEGISLATION TO FOLLOW ACTION ON PANAMA CANAL CONFERENCE REPORT

Mr. ROBERT C. BYRD. Mr. President, I believe an order has been entered for the Senate to proceed to the consideration of Calendar Order No. 172, S. 480, upon the final disposition of the conference report on the Panama Canal implementing legislation tomorrow. Is that correct?

The PRESIDING OFFICER. The Senator is correct.

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

RECESS UNTIL 12:15 P.M. TOMORROW

Mr. ROBERT C. BYRD. Mr. President, if there be no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand in recess until the hour of 12:15 p.m. tomorrow.

The motion was agreed to; and at 6:57 p.m. the Senate recessed until tomorrow, Thursday, September 20, 1979, at 12:15 p.m.

CONFIRMATION

Executive nomination confirmed by the Senate September 19, 1979:

THE JUDICIARY

Matthew J. Perry, Jr., of South Carolina, to be U.S. district judge for the district of South Carolina.